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ABSTRACT

Hearings on reauthorization of the Higher Education Act of 1965 focus on the needs analysis system for student aid programs. One proposal recommends restructuring the Pell Grant Program to target its support on low-income students and to make it more sensitive to the costs of different types of colleges. Recommendations include: implementing a single needs analysis system for federal student aid programs; adopting a master calendar for the delivery of federal student aid to insure adequate notification and timely delivery of aid; limiting the number of years that a student may receive a grant to assure students are making satisfactory progress toward completing their studies, and redefining what constitutes independent students so that independent students who have dependents are treated fairly. It is noted that an increasing number of college students from farm families are found ineligible for Pell Grants because the needs analysis system does not acknowledge that unearned income is already obligated to retiring debt or meeting tax liability. To address this problem, H.R. 2481 would amend the Higher Education Act to provide fair treatment in computing family contributions in college student aid for students affected by the sale or forfeiture of family farm assets. Supplementary materials include reports of national associations. (SW)

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REAUTHORIZATION OF THE HIGHER EDUCATION ACT

Title IV General Provisions/Needs Analysis
Volume 4

HEARINGS

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, ON JULY 17 AND AUGUST 1, 1985

Serial No. 99-46

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REAUTHORIZATION OF THE HIGHER EDUCATION ACT

Title IV General Provisions/Needs Analysis

Volume 4

WEDNESDAY, JULY 17, 1985

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
Washington, DC.

The subcommittee met, pursuant to call, at 9:45 a.m., in room 2175, Rayburn House Office Building, Hon. William D. Ford (chairman of the subcommittee) presiding.

Members present: Representatives Ford, Biaggi, Hayes, Perkins, Bruce, Penny, and Gunderson.

Staff present: Thomas R. Wolanin, staff director; Kristin Gilbert, clerk; Rich DiEugenio, Republican senior legislative associate; Rose DiNapoli, minority legislative associate.

Mr. Ford. I am pleased to call to order this hearing of the Subcommittee on Postsecondary Education for the purpose of efforts to reauthorize the programs contained in the Higher Education Act.

This is our 12th hearing here in Washington on specific facets of the Higher Education Act. We have also thus far had eight field hearings. We have more than 70 hours of testimony in the combined hearings up until this point. We have 11 more Washington hearings and 3 more field hearings scheduled, and today's hearings will focus on the needs analysis system for student aid programs and other related issues.

Needs analysis is in many ways at the heart of student financial assistance. It determines how much aid a student is given, if any. Fine tuning the needs analysis system has major effects on the distribution of aid among types of students and on the costs of the programs, and I trust that somebody will talk about the single needs analysis for all programs.

Mr. Gunderson.

Mr. Gunderson. I have no opening statement, Mr. Chairman.

Mr. Ford. Before we bring on the panel, I would like to recognize our colleague from Iowa, the Honorable Berkley Bedell. Berk, it is a real pleasure to have you in front of the committee.

Your prepared statement will be inserted in full in the record. You may add to it, supplement it, or summarize it in any way you feel most comfortable.

[The prepared statement of Hon. Berkley Bedell follows:]

PREPARED STATEMENT OF HON. BERKLEY BEDELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. Chairman, I would like to thank the Committee for this opportunity to testify today regarding the reauthorization of the Higher Education Act. It is my feeling that the education programs provided for in this Act have been among the most important and most successful of any programs ever enacted by Congress.

It has recently come to my attention, however, that an increasingly greater number of college students from farm families are being found ineligible for assistance from the Pell Grant program. This program, which the Department of Education calls the foundation of financial aid, is the the largest need-based financial aid program administered by the Department. As many farmers in the Midwest and throughout the United States are experiencing financial difficulties that not only prevent them from contributing toward the cost of their child's post-secondary education but which have also brought them to the brink of foreclosure or bankruptcy, it is quite evident that the factors used in making individual Pell Grant determinations have failed to equitably address the often unique financial situation of the family farmer.

In the computation of the amount a student and his or her family is expected to contribute toward that student's postsecondary education, the most important elements are the family assets and the family income. In discussing the elgibility of students from farm families for the Pell Grant program with financial aid administrators in my district, it appears that there are two major problems that need to be addressed.

First, and the most frequent source of financial aid difficulties in my area is the direct relationship between the sale of assets and the student's eligibility. In order to avoid foreclosure or bankruptcy, many farmers have found it necessary to restructure existing debt through the forfeiture or sale of a portion of the farm assets. Or more tragically, many farm sales are taking place after efforts to restructure debt have already failed.

In either case, the appreciated value of farmland represents a gain on a capital asset. The farmer's taxable profit on the sale is calculated as the difference between what he paid for the property and what he sold it for. Generally, though, the owner has mortgaged the property for its increased value and received the cash value of the increase long before the dispositon of the assets. While the sale of a capital asset then yields taxed income and untaxed income, most farmers are unable to use either for any other purpose than to retire the debt that was incurred on the gain or to meet the tax liability of the 40% of the gain that was taxed.

Thus, because the determination of Pell Grant eligibility does not acknowledge that that any "unearned income" reported on a Student Aid Report is already obligated to retiring debt or meeting tax liability, many students are being unfairly denied access to this important source of student financial aid. In one instance, I was contacted by a family whose assets of $100,000 and untaxed income of $40,000 were more than overwhelmed by a debt of $100,000 and a net farm loss that year of $46,000 and yet their son was still ineligible for Pell Grant assistance.

A second example provided by the president of a small private college in my district even better illustrates the problems that have arisen with the capital gains tax exemption:

> "A sale on foreclosed farm land totaled $91,000," he wrote. "The family lawyer sent documentation that the family received no benefit from this sale; all proceeds went toward cancellation of the debt. For the 1984-85 award year, this student qualified for $1350 in

> Pell Grant, $2250 in Iowa Tuition Grant, and $2200 in institutional aid." Because of the sale of the farm land, "this current award year, he not only does not qualify for Pell Grant, but the Iowa College Aid Commission had originally deemed her ineligible for the Iowa Tuition Grant. We latter wrote to the Iowa College Aid Commisssion and explained the situtation, and they did give her consideration. This flexibility may be needed on the federal level as well as the state level."

According to the Department of Education, there is no regular or special procedure that currently exists through which inelgible applicants can request fair consideration of any special circumstances of this sort. For this reason, I recently introduced legislation which directs the Secretary of Education to issue regulations that would prevent the inclusion in family income of any proceeds of a sale of the farm assets if the sale results from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy.

The second major problem which many students from farm families have experienced is a also a result of the special financial circumstances which clearly distinguish farm families from other families whose children are in college. It is becoming more and more apparent that not only does the sale of family assets unfairly prevent some students from receiving a Pell Grant but that unless there are substantial offsets for assets, the level of assets will be the determining factor in the final total expected family contribution. In general, as assets increase, eligiblity for a Pell Grant decreases. Thus substantial assets can often eliminate eligiblity for a Pell Grant even when combined with a low or negative income.

According to a recent report by the U.S. Department of Agriculture, some 17 percent of all farms are near bankruptcy or foreclosure, and if we look only at family farms the percentage of those experiencing such difficulties increases dramatically. As more and more family farms are forced out of business, children from such families will be looking, in ever greater numbers, outside agriculture and to higher education for new employment opportunities. Because so many individuals in our rural areas are already experiencing great economic difficulities, it is my hope that during this session of Congress, we can work to ensure that the Pell Grant formula provides for the full consideration of the effects of foreclosure, bankruptcy, and taxation on the family farmer.

Again, I appreciate this opportunity to present my views on this very important matter.

I

99TH CONGRESS
1ST SESSION

H. R. 2481

To amend the Higher Education Act of 1965 to provide fair treatment, for purposes of computing family contributions in college student assistance, for students affected by the sale or forfeiture of family farm assets.

IN THE HOUSE OF REPRESENTATIVES

MAY 14, 1985

Mr. BEDELL introduced the following bill; which was referred to the Committee on Education and Labor

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A BILL

To amend the Higher Education Act of 1965 to provide fair treatment, for purposes of computing family contributions in college student assistance, for students affected by the sale or forfeiture of family farm assets.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 482 of the Higher Education Act of 1965 (20 U.S.C. 1089) is amended by adding at the end thereof the following new subsection:

"(f) The Secretary shall, within thirty days after the date of enactment of this subsection, promulgate special regulations to prevent, in the computation of family contributions for any program under this title, the inclusion in family income of any proceeds of a sale of the farm assets of that family if such sale results from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy.".

STATEMENT OF HON. BERKLEY BEDELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. **Bedell**. Thank you, Mr. Chairman. Because of the complexity of the issue I would like to follow my statement fairly closely.

First of all, I would like to thank you for this opportunity. I believe education is a tremendously important item in our society, and the programs provided for in this act has been among the most important, the most successful of any programs we have ever enacted in the Congress.

It has recently come to my attention, however, that an increasingly greater number of college students from farm families are being found ineligible for assistance from the Pell Grant Program. The program, which the Department of Education calls the foundation of financial aid, is the largest need-based financial aid program administered by the Department. As many farmers in the Midwest and throughout the United States are experiencing financial difficulties that not only prevent them from contributing toward the cost of their child's postsecondary education, but which have also brought them to the brink of foreclosure or bankruptcy, it is quite evident that the factors used in making individual Pell grant determinations have failed to equitably address the often unique financial situation of the family farmer.

In the computation of the amount a student and his or her family is expected to contribute toward the student's postsecondary education, the most important elements are the family assets and the family income. In discussing the eligibility of students from farm families for the Pell Grant Program with financial aid administrators in my district, it appears that there are two major problems that need to be addressed.

First, and the most frequent source of financial aid difficulties in my area is the direct relationship between the sale of assets and the student's eligibility. In order to avoid foreclosure or bankruptcy, many farmers have found it necessary to restructure existing debt through the forfeiture or sale of a portion of their farm assets. Or more tragically, many farm sales are taking place after efforts to restructure debt have already failed.

In either case, the appreciated value of farmland represents a gain on a capital asset. The farmer's taxable profit on the sale is calculated as the difference between what he paid for the property and what he sold it for. Generally, though, the owner has mortgaged the property for its increased value and received the cash value of the increase long before the disposition of the assets. While the sale of a capital asset then yields taxed income and untaxed income, most farmers are unable to use either for any other purpose than to retire the debt that was incurred on the gain or to meet the tax liability of the 40 percent of the gain that was taxed.

Thus, because the determination of Pell grant eligibility does not acknowledge that any unearned income reported on a student aid report is already obligated to retiring debt or meeting tax liability, many students are being unfairly denied access to this important source of financial aid. In one instance, I was contacted by a family whose assets of $100,000 and untaxed income of $40,000 were more than overwhelmed by a debt of $100,000 and a net farm loss that year of $46,000, and yet their son was ineligible for Pell grant assistance.

In other words, Mr. Chairman, if you got income from one source and loss in another area, you are not able to deduct the loss from the income. And really what a farmer has to be concerned about is whether he has any total income with which to meet his living expenses and help his child through college.

A second example provided by the president of a small private college in my district even better illustrates the problems that have arisen with the capital gains exemption:

"A sale on foreclosed farmland totaled $91,000," he wrote. "The family lawyer sent documentation that the family received no benefit from this sale; all proceeds went toward cancellation of the debt. For the 1984-85 award year, this student qualified for $1,350 in Pell grant, $2,250 in Iowa Tuition Grant, and $2,200 in institutional aid." Because of the sale of the farmland, "this current award year, he not only does not qualify for Pell grant, but the Iowa College Aid Commission had originally deemed her ineligible for the Iowa College Tuition Grant. We later wrote to the Iowa College Aid Commission and explained the situation, and they did give her consideration. This flexibility may be needed on the Federal level as well as the State level."

According to the Department of Education, there is no regular or special procedure that currently exists through which ineligible applicants can request fair consideration of any special circumstances of this sort. For this reason, I recently introduced legislation which directs the Secretary of Education to issue regulations that would prevent the inclusion in family farm income of any proceeds of a sale of the farm assets if the sale results from voluntary or involuntary foreclosure, forfeiture, or bankruptcy.

The second major problem, Mr. Chairman, has to do with the assets that a farm family may have. Farm families may have assets which they can neither sell and still continue to stay in business or which are already so heavily indebted that they cannot get additional loans on that property. It seems to me that the purpose of the asset limitations in the various types of legislation we pass are to prevent wealthy people or people who have assets from which they could get cash from being able to still come to the Federal Government and get financial aid. If those assets are such that there is no possibility of them getting cash from them, it seems to me that a consideration should also be given and an exemption in this case.

According to a recent report by the U.S. Department of Agriculture, some 17 percent of all farms are near bankruptcy or foreclosure. And if we look only at family farms, the percentage of those experiencing such difficulty increases dramatically. As more and more family farms are forced out of business, children from such families will be looking, in ever greater numbers, outside agriculture to higher education for new employment opportunities. Because so many individuals in our rural areas are already experiencing great economic difficulty, it is my hope that during this session of Congress, we can work to ensure that the Pell grant formula provides for the full consideration of the effects of foreclosure, bankruptcy, and taxation on the family farmer.

I appreciate the opportunity to meet before you, Mr. Chairman, and I certainly would appreciate your consideration of this legislation.

Mr. **Ford**. Thank you very much.

Berkley, one of the things that bothers me is what if you sell the farm because you decide that the kids aren't going to take care of it and you want to move to Florida or Hawaii; and you are mad at the kids in the first place because they don't want to be farmers, they want to go to college. Can you take the money and leave, if your bill is passed, and not have that counted as parental contribution?

Mr. **Bedell**. No; because of two things. First of all, my bill provides only in case of forfeiture or foreclosure.

Mr. **Ford**. But it says voluntary or involuntary?

Mr. **Bedell**. Forfeiture, yes; but secondarily, it calls for the Secretary to institute regulations that would address the problem of voluntary or involuntary forfeiture as well as foreclosure.

Mr. **Ford**. So you feel that if there was actually a residual asset that came after the foreclosure that that should not be exempt?

Mr. **Bedell**. Absolutely; if there is of any consequence any asset that remains residual after the forfeiture, then certainly the person should not qualify. I agree completely. And that is the intent of this legislation. And as I said, it calls upon the Secretary to issue regulations that will provide for this.

Mr. **Ford**. Let us see how the dairy farmer feels about that.

Mr. **Gunderson**. Thank you, Mr. Chairman.

And first of all, Berkley, I want to—and for the rest of you, I apologize for calling him by his first name, but we sit together on the Agriculture Committee and the last 2 weeks we have sort of become a family. We go back in in about 5 minutes I guess for another long day.

I want to commend you, first of all, on really trying to address a problem that is there. I am not exactly sure of the right method, but I think you have come as close to suggesting an option as anyone has.

Let me ask, you to describe for me what a voluntary forfeiture would be in your eyes.

Mr. **Bedell**. OK. There are two types of forfeitures. One of them is involuntary where it is the equivalent of foreclosure. A voluntary forfeiture is a situation where I have bought land under contract and I go to the bank and I say: "Look, I'm in financial trouble, I can't pay my debts. What I would like to do is just turn the land back to you." Forfeiture is where you turn it back to the lender. I have already made payments on that land. I am going to lose those payments, but I, indeed, turn it back.

About the only time you are going to do that is when one of the two parties, or when both parties feel it is to their advantage to do it. Now you are not going to turn back land if you are in a financial position where you don't have to and the value of the land is greater than the amount owed against it. However, likewise, if you are financially so that the bank can still collect from you, they are not going to take it back. If you are financially sound. So that really whether it is voluntary or involuntary the fact is that in almost all of those cases there would not be money available from the individual.

The only possibility I—no, I don't really see where that could be. Because the bank won't accept forfeiture, the lender will not accept forfeiture if you have other assets that they have access to, normally.

Mr. **Gunderson**. But I think what the chairman was getting at, and I think there could be those circumstances where you have clearly a significant net worth, but your monthly financial obligation on a loan or mortgage, whatever the case might be, could be just more than "grandma and grandpa want to maintain at this point in time," and they say: "Look, land values aren't very good. We don't want to keep milking cows. We don't want to bother with the bank. You can have it. The $40,000 we still owe you, fine, you get it. Now when you sell it, of course, we get the $60,000 after you have paid off the loan."

There is that one kind of example which I think could be a voluntary abuse that we may need to address—I think we may be able to deal with this if we would perhaps just drop the word "voluntary." Really every concern you are talking about, for the most part is addressed in the inclusion of involuntary foreclosures, forfeitures, bankruptcies. We may have to have something on voluntary bankruptcies in there.

Mr. **Bedell**. No; I think we would address it better if we do what the chairman says, and if the rules and regulations provided that in the consideration that there was no financial gain by the party. If there was financial gain by the party, then it would not apply.

Mr. **Gunderson**. Sure, that would be acceptable.

Mr. **Bedell**. That would be better because there are many cases in my area where people are voluntarily turning back land in order to restructure their debts where they end up, frankly, with absolutely no gain whatever in terms of their financial situation. It is just a question of trying to somehow stay alive for another year or so if they can. I would expect the gentleman would have similar situations in Wisconsin.

Mr. **Gunderson**. Just developing.

Mr. **Bedell**. OK. But I think the chairman is absolutely correct that in regulations, or perhaps it should have been, frankly, in this legislation as well, that it should provide wherein there is no residual gain to the individual.

Mr. **Gunderson**. Your second concern in your testimony indicates the problems with family assets preventing students from receiving Pell grants. Do you read the problem as only affecting the Pell grant eligibility formula? Does it also in your opinion affect GSL's?

Mr. **Bedell**. I know that it affects other programs as well, I don't know what other ones. Food stamps, it would affect that.

Mr. **Gunderson**. Yes.

The description of the uniform methodology, which is used for determining GSL's [guaranteed student loans] and in your campus-based programs, in calculating parents' net worth says the net worth of a business or farm, "the present market value minus unpaid mortgage or debts."

Mr. **Bedell**. That would take care of the problem.

Mr. **Gunderson**. So if we could perhaps transfer this definition of net worth over to the Pell grant formula, we would be able to solve that problem.

Mr. **Bedell**. That would solve that problem. But there is still another problem, however, and that is, it is my understanding, that you cannot deduct your losses from your gains in determining income. And particularly, you cannot do it with unearned income.

Now a problem we have in agriculture is that you have a farmer that bought land a good many years ago at a lower price and now sells it at a higher price, through restructuring his debts where he has to apply, as I mentioned, the whole thing against other debts. So he really has no gains in terms of the money he has available to help finance his living expenses and students to go to college.

But the law is such that any unearned income counts as income no matter how much loss you may have to apply against it. And under those circumstances, even though the farmer may have lost a lot of money—in fact, it is a problem we have in the whole situation of trying to keep farmers alive—if they restructure their debt through the sale of some other assets and then apply completely all of the money they get in the sale against their other debts or to help keep alive, they still become ineligible even though they showed a loss for that year and have no money—the important thing and it is what the chairman is getting at—have no money of their own with which to help to finance these things.

Mr. **Gunderson**. That one is difficult, though, because it doesn't just affect farmers, it affects small business people all over the country. They have the same problem. And that one is going to be more difficult for us I think to deal with.

Mr. **Bedell**. It seems to me, though, it should be the same problem. That unearned income, if it comes from capital gains treatment, should be applied against other income whether it is unearned or whether it is earned. In either case it seems to me that income should be total income. You should not say if you have got income over here and a loss over here that we don't worry about the loss you have got, all we worry about is the income that you made. It seems to me that should not be our intent in anything we pattern.

Mr. **Gunderson**. No. I am just saying the problem extends beyond agriculture in that regard.

Mr. **Bedell**. That is right.

Mr. **Gunderson**. Thank you, Mr. Chairman.

Mr. **Ford**. Well, Berkley, what you have is a problem that we cleared up in 1980 and then Gramm-Latta messed it up.

Mr. **Bedell**. I might say, sir, I think Gramm-Latta messed up a lot of things, Mr. Chairman, but that may be prejudiced.

Mr. **Ford**. Well, I am one of the people who for many years has railed against the idea of considering as an asset for the purpose of sending one's children to college the family homestead. And we were finally able in the 1980 amendments to get rid of that, whether it is a farm or simply a home, on the theory that it made no sense to consider that an asset for the purpose of education because, obviously, if there are five children in the family and one of them is going to college, you are not going to sell the home to send one of them to college. It wouldn't make a lot of sense to do that.

But we have always considered that for strange reasons as an asset, as if it was something that you could reach out and take value from and use it to go to college.

We took that out. And in the name of budget balancing in 1981 that was put back in. And so the anomally that you are talking about also occurs with somebody who bought a home in the fifties for $25,000, in the Midwest, and it is now for tax purposes valued at $50,000, and they regard that as a $50,000 asset. That is not a $50,000 asset in terms of available resources.

So it is possible we can go back to what the Congress did in 1979 in the House and 1980 in the Senate, and then in both Houses and the conference in 1980. But the family farm offset is considerably larger than it is for other types of resources, thanks to Mr. Obey of Wisconsin, who has always fought very hard to take care of the farmer.

But it still doesn't make a whole lot of sense to consider any of this as assets for educational purposes, and it is one of the things we will look at. And I am very pleased that you are coming at it with a way to explain it.

I would like to say before you leave that Mr. Dorgan of North Dakota wanted to appear this morning to support your bill. Byron is tied up and can't be here, so without objection, Mr. Dorgan's statement in support of the bill will be inserted at this point in the record.

[The prepared statement of Hon. Byron L. Dorgan follows:]

PREPARED STATEMENT OF HON. BYRON L. DORGAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

Mr. Chairman, I appreciate the opportunity to testify in support of my Colleague's bill to prevent the inclusion in family income of any proceeds of a sale of that family's farm in the computation of the family's contribution for the purpose of determining eligibility for student aid. The farm crisis has hit this country hard. We have all heard reports of farmers who have been forced to sell all or part of their farms as a result of the threat of foreclosure or bankruptcy.

While the impact of the farm crisis has yet to be fully realized, one particular group is suffering needlessly. Farm families who are experiencing financial difficulties face even greater financial burdens when their children seek to pursue their education beyond high school. The Pell grant, often described as the foundation of financial aid, is the most likely source of aid for farm families facing foreclosure or bankruptcy. However, currently the Pell Grant Program is denying eligibility for students from farm families because, often a result of their financial troubles, they have sold property and assets, thus realizing a capital gain. It is at this juncture that farm families are, in effect, penalized. The Pell Grant Program considers proceeds from these sales as income, thus placing the family out of the range of eligibility for a Pell Grant. However, farmers are often unable to use this "income" for anything but to repay their debts.

I would like to share with you one specific case in my home state of North Dakota. The case involves a former farmer who was forced to sell out and although the sale brought in $700,000, his bank took the entire proceeds. For tax purposes, his was shown as having an adjusted gross income of $78,617, although his earned income was really just $4,746. The farmer's son was denied a Pell Grant based on his father's adjusted gross income. Clearly there is a great need for a method by which the Pell Grant Program could consider the special circumstances of farm families such as the one I just described.

At this time I would like to take the opportunity to bring to the Subcommittee's attention a matter of similar concern to many of my constituents and I suspect many other farm families across the nation's heartland. While so many farmers are facing hardship, some are surviving, even if they are just getting by. Students from these families also deserve special consideration when applying for financial aid. Many farmers might be considered asset rich but they are cash poor and thus do not have the means to completely finance their child's education. Again, when they look to the Pell Grant Program they are refused.

To illustrate this point, let me share with you two very clear examples. The first is a family of five in a small town with only child in school. Their adjusted gross income is $17,700 and their farm asset equity is $255,700. The American College Testing service, using a uniform methodology, established that this family could afford $5,700 for it's contribution to the child's education. Furthermore, they stated that none of the contribution was expected to come from the family's income, it should all come from the family's assets. This same family was assigned a student aid index, the Pell Grant's ranking device, of 13,664. 1,900 is the highest ranking a family may receive and still be eligible for a Pell Grant.

The second example is also a family of five with one student in college. Their adjusted gross income is $6,280 and their farm asset equity is $337,700. Their expected family contribution was $2,900, again none of that was to come from the family's income. The Pell Grant index for this family, 7,881, also placed them well beyond the eligibility range.

These two cases indicate that farmers are being expected to liquidate their assets, which they need to maintain their farms, in order to educate their children.

Aftr talking to farmers, educators and bankers, it is clear to me that the criteria used to determine Pell Grant eligibility needs to be carefully reexamined. At the very least, farmers who are virtually forced to sell of some, if not all, of their assets, should not have their temporary capital gains considered as part of the family income when considering a students' eligibility for a Pell Grant. If we can make low or no interest loans to foreign governments we should certainly be able to help farm families educate their children. They are our future.

Mr. FORD. Thank you very much, Berkley.

Mr. BEDELL. Thank you, Mr. Chairman. I thank you and I thank the committee.

Mr. Chairman, my bill, could it be entered in the record with my statement?

Mr. FORD. Yes. Without objection, that will be entered.

Dr. Robert Donaldson.

Dr. Donaldson, Mrs. Roukema wanted to be here to introduce you this morning, and she is tied up at the request of the minority leader. We all understand how that works; we don't have control over our own time. She asked that we let you know that is the reason she is not here. She would like to be. She is otherwise engaged at the moment, and we want to on her behalf welcome you to the committee.

Dr. Donaldson is the president of Fairleigh Dickinson University.

Without objection, Dr. Donaldson's testimony will be inserted in full at this point in the record. And you may proceed to add to it, supplement it or summarize it in any way that you find most convenient.

[The prepared statement of Robert H. Donaldson follows:]

PREPARED STATEMENT OF ROBERT H. DONALDSON, PRESIDENT, FAIRLEIGH DICKINSON UNIVERSITY

Mr. Chairman and members of the Subcommittee on Postsecondary Education, my name is Robert Donaldson. I am President of Fairleigh Dickinson University, which has campuses in Teaneck, Rutherford, and Madison, New Jersey. Founded in 1942, Fairleigh Dickinson University is New Jersey's largest independent university and among the largest in the country. We enroll more than 15,000 undergraduate and graduate students in over 110 degree programs in the liberal arts and sciences, engineering, dentistry, education, health care, business administration, public administration and hotel and restaurant management. Our comprehensive range of academic programs and multi-campus structure are distinctive, as are our two overseas campuses offering special semester and summer studies: Wroxton College in England and the West Indies Laboratory on St. Croix in the U.S. Virgin Islands. For 1985–86, our annual comprehensive fee will be $9,391, including a tuition charge of $5,934. Three-fourths of our undergraduates receive some form of financial aid. We award over $22 million each year in financial aid, and we pioneered the Family Plan which offers reduced tuition to families with more than one student at the university.

I am pleased to appear before you today to present the views of the membership of the Association of Independent Colleges and Universities of New Jersey on several policy issues you are considering regarding grant aid allocation. Our national organization, NAICU, submitted recommendations for reauthorization of the Higher Education Act to the Chairman and to the Ranking Republican Member on April 30, and, I would note that we also generally support the recommendations made by the American Council on Education.

But before I discuss our recommendations and our reasons for making them, I'd like to give you some background on the Association of Independent Colleges and Universities in New Jersey, and provide you a brief view of student financial assistance as it existed on our campuses during the 1983-84 academic year, the last complete year for which data are available.

AICUNJ is an organization of 16 independent, nonprofit colleges and universities, based in Summit, New Jersey and formed to provide a unified voice for New Jersey independent higher education. Last year, AICUNJ institutions enrolled 62,000 students, and the 1984-85 price of education—the amount actually charged to students at registration—averaged $8,705, including an average tuition and fee charge of $5,728. I would also note with pride that, although we enrolled only 21 percent of all New Jersey college students in 1984, we awarded 33 percent of all bachelor's degrees, 44 percent of all master's, and 37 percent of doctoral and first professional degrees granted in the state of New Jersey.

Let me note, Mr. Chairman, that, contrary to assertions that you may have heard earlier this spring, the independent sector in higher education should not be stereotyped as "expensive private colleges" and regarded as a luxury when federal budget deficits are large. Our charges to students are a truer reflection of the actual cost of the education we offer than is the case in other types of higher education, because we carry on without the direct operating subsidies that state taxpayers provide to reduce the tuition paid by public sector students. Less than one-fifth of revenues for independent colleges and universities comes from federal, state, or local government funds, while income from tuition, fees, and student services contributes more than 70 cents of every dollar of operating revenue at our institutions. And, a substantial portion of that operating revenue, nearly $50 million in 1983-84, was rechanneled by our AICUNJ colleges and universities directly to their students in the form of institutional student financial aid.

Thus there is a partnership among the state and federal governments, students and their families, and the college. They share the cost of education, with each partner bearing a fair portion of the burden, and this allows freedom of choice and access to low and middle income students.

Even with institutions struggling to fill the tuition gap by increasing their need-based student aid, the reductions in grant participation rates and in average awards, and the declines in other programs over the past five years, had predictable results: more needy students in independent colleges and universities found themselves increasingly dependent on larger Guaranteed Student Loans to help finance their educations. An even more serious consequence is that many students have been forced to withdraw from the institutions of their choice or to otherwise alter their career plans to avoid the heavy burden of additional debt.

In the four-year period from fall 1979 to fall 1983, the percentage of dependent recipients borrowing a GSL in New Jersey increased dramatically—from 15 percent to 57 percent, with the average loan also increasing from $1,787 to over $2,400. More distressing was the fact that the lowest income students were no less heavily dependent on GSL to meet their educational costs. Fifty-seven percent from this lowest-income category borrowed an average of $2,259 in 1983, compared to 15 percent in 1979, borrowing an average of $1,400.

Against this background of diminished availability of grant assistance and greater reliance on loans for students attending or aspiring to attend independent colleges and universities, our membership support policy recommendations for reauthorization of the Higher Education Act designed to redress this imbalance between grant and loan support for needy students in general, and for the lowest-income students in particular.

That is why NAICU developed and AICUNJ supports a proposal to restructure the Pell Grant program to target its support on low-income students and to be more sensitive to the costs of different types of institutions. That is why AICUNJ recommends a revamped SEOG program that targets funding on students with the greatest need for funds, and ties appropriations for the two major federal grant programs more closely together. And that is why AICUNJ supports the proposal that the GSL program be restructured to limit loans to need, with slightly increased maximum loan amounts for established students, with opportunities for students to consolidate their loans when they enter repayment under income related payment schemes, and with loan amounts not reduced by arbitrary origination charges.

NAICU PELL PROPOSALS

AICUNJ therefore urges you to restructure the Pell Grant program to assure access for all eligible students to all types of higher education. We believe the problem is too deep-rooted to be addressed by surface changes in the program. Increasing one or more of the individual parts of the award formula would not be a sufficient response to the problem.

The NAICU proposal is offered as a compromise proposal that would (1) insert price sensitivity for low and middle-income students desiring to attend higher-tuition colleges and universities; (2) assure living expense allowances for the lowest-income (up to 150 percent of the poverty level) students who pursue their education at lower-priced institutions and are more dependent on living expense support; and (3) keep the total cost of the program within the realm of reasonable appropriations growth.

This proposed reform of the Pell Grant program would provide a true foundation upon which to build the other federal, state, institutional, and private student aid programs. This would be accomplished by basing the Pell award on a two-part calculation: (1) half of tuition, mandatory fee, and book expenses for all eligible low- and middle-income students (up to a $2,100 maximum), *plus* (2) a substantial allowance (up to $2,100) for all low-income students to help them meet their living expenses in all types of colleges and universities. This mechanism would award substantial grant dollars to low-income students for their living expenses and for up to half of their tuition, fees, and books, and it would also allow middle-income student participation for up to half of the "price" charged to them.

Let me now turn to our specific recommendations for Grant Aid Allocation that are the subjects of today's hearing.

Mr. Chairman, the components of the Grant Aid Allocation system to be discussed—Master Calendar, Needs Analysis, Academic Progress, and Ability to Benefit—are important aspects of the financial aid system that allows students to aspire to independent higher education. The current student aid delivery and need analysis systems are complex and confusing for all concerned, and may not be operating as Congress intended. Congress attempted to address part of the problem by mandating a single need analysis system in the 1980 Amendments to the Higher Education Act. But implementation of the new system was deferred. The 99th Congress has the opportunity to address this issue.

NEEDS ANALYSIS

AICUNJ recommends that the multiplicity of "needs analysis" methodologies currently in use be reviewed to determine whether a new, single methodology for determining family ability to pay can be developed for all federal student aid programs. The objective is to simplify the current system while maintaining discretion for financial aid administrators to adjust for individual student circumstances.

A Uniform Methodology should be designated as the single national standard for measuring a family's ability to contribute toward postsecondary educational expenses. The reauthorizing legislation should contain language requiring development of a family contribution schedule by the Secretary fo Education, with the active involvement and participation of the financial aid community (individuals, agencies and organizations). Annual adjustments or refinements to the Uniform Methodology should be based upon reliable and current economic factors.

The Uniform Methodology should clearly identify in the legislation the various elements to be considered in assessing the family's ability to contribute towards the student's educational expenses. However, legislative language should not specify the treatment or exclusions pertinent to specific elements.

The Uniform Methodology should be reviewed and revised on an annual basis for appropriate adjustments and refinements. The family contribution which is determined from a Uniform Methodology calculation may in turn be adjusted by financial aid administrators, when circumstances warrant, to maintain institutional flexibility and discretion.

The Uniform Methodology should be the one recognized standard for realistically measuring a family's ability to contribute to post-secondary educational expenses, and this should be used consistently in determining a student's financial need. We should avoid establishing separate family contribution schedules, as those currently used for the Pell Grant Program.

The Uniform Methodology must give assurance that the calculation of a family contribution will be realistic and reasonable. The legislation should be written in such a way as to ensure that appropriate input in the development of the Uniform Methodology is provided to the Department of Education by knowledgeable organizations and individuals in the higher education community.

Additionally, the Uniform Methodology should utilize a proper measure of income for purposes of determining family ability to pay for higher education. The measure chosen should recognize that provisions of the tax code that allow deductions from gross income were designed for purposes unrelated to higher education need analysis.

MASTER CALENDAR

AICUNJ strongly recommends the adoption of the NAICU-proposed master calendar for the delivery of federal student aid. The delays, disruptions and uncertainties in the delivery system over the past few years have caused confusion and misunderstandings that have impeded students from deciding their educational futures. The master calendar proposed by NAICU would help insure adequate notification and timely delivery of aid funds by requiring the Secretary of Education of adhere to a set schedule of dates for each step in the award cycle. The master calendar would assist in the smooth functioning of the student aid system and allow all students to make timely decisions about their higher education plans.

ACADEMIC PROGRAMS

AICUNJ recommends that a limitation be placed on the number of years a student may receive a grant, in order to assure that students are making satisfactory progress towards completion of their studies.

New Jersey spent several years developing a standard of satisfactory academic progress to be used in determining eligibility for state student assistance. Though time-consuming, this process proved useful in retaining confidence in the academic standards of New Jersey's colleges and maintaining fairness for aid recipients. On the basis of our experience in New Jersey, we recommend students be allowed a maximum of five academic years of federal student assistance. This standard would allow for five year degree programs, for enrollment in remedial courses, and for emergency situations, such as illness or changes in family status.

ABILITY TO BENEFIT

Overly burdensome and unnecessary requirements have been imposed on institutions by the Education Department to force compliance with the "ability to benefit" provisions of the current legislation. Development of a standard for determining satisfactory academic progress should provide sufficient control over a student's receiving Title IV aid. This should eliminate the need for the "ability to benefit" provisions.

Mr. Chairman, I thank you for the opportunity to present these remarks to the Subcommittee, and I look forward to any questions you may have.

STATEMENT OF ROBERT H. DONALDSON, PRESIDENT, FAIRLEIGH DICKINSON UNIVERSITY

Mr. DONALDSON. Thank you, Mr. Chairman.

Fairleigh Dickinson University has campuses in Teaneck, Rutherford, and Madison, NJ, and it is New Jersey's largest independent university. We enroll more than 15,000 undergraduate and graduate students in over 110 degree programs. For 1985–86, our annual comprehensive fee will be $9,391, including a tuition charge of $5,934. Three-fourths of our undergraduates receive some form of financial aid. We award over $22 million each year in financial aid, and we pioneered the family plan which offers reduced tuition to families with more than one student at the university.

I am pleased to appear before you today to present the views of the membership of the Association of Independent Colleges and

Universities of New Jersey [AICUNJ] on several policy issues you are considering regarding grant aid allocation. Our national organization, NAICU, submitted recommendations for reauthorization of the Higher Education Act to the chairman and the ranking Republican member on April 30, and I would note that we also generally support the recommendations made by the American Council on Education.

AICUNJ is an organization of 16 independent nonprofit colleges and universities based in Summit, NJ, and formed to provide a unified voice for New Jersey independent higher education. Last year, AICUNJ institutions enrolled 62,000 students, and the 1984-85 price of education, the amount actually charged to students at registration, averaged $8,705, including an average tuition and fee charge of $5,728.

Let me note, Mr. Chairman, that contrary to the assertions you may have heard earlier this spring, the independent sector in higher education should not be stereotyped as expensive private colleges and regarded as a luxury when Federal budget deficits are large. Our charges to students are a truer reflection of the actual cost of the education we offer than is the case in other types of higher education, because we carry on without the direct operating subsidies that State taxpayers provide to reduce the tuition paid by public sector students. Less than one-fifth of revenues for independent colleges and universities comes from Federal, State, or local government funds, while income from tuition, fees, and student services contributes more than 70 cents of every dollar of operating revenue at our institutions. And a substantial part of that operating revenue, nearly $50 million in 1983-84, was rechanneled by our AICUNJ colleges and universities directly to their students in the form of institutional student financial aid.

Thus there is a partnership among State and Federal Governments, students, and their families, and the college. They share the cost of education with each partner bearing a fair portion of the burden, and this allows a freedom of choice and access to low- and middle-income students.

Even while our institutions were struggling to fill the tuition gap by increasing their need-based student aid, the reductions in grant participation rates and in average awards, and the declines in other programs over the past 5 years, had predictable results: more needy students in independent colleges and universities found themselves increasingly dependent on larger guaranteed student loans to help finance their educations. An even more serious consequence is that many students have been forced to withdraw from the institutions of their choice or to otherwise alter their career plans to avoid the heavy burden of additional debt.

In the 4-year period from fall 1979 to fall 1983, the percentage of dependent recipients borrowing a GSL in New Jersey increased dramatically, from 15 percent to 57 percent, with the average loan also increasing from $1,787 to over $2,400. More distressing was the fact that the lowest income students were no less heavily dependent on guaranteed student loans to meet their educational costs.

Our membership supports policy recommendations for reauthorization of the Higher Education Act designed to redress the imbalance between grant and loan support for needy students in general, and for the lowest income students in particular.

That is why NAICU developed and AICUNJ supports a proposal to restructure the Pell Grant Program to target its support on low-income students and to be more sensitive to the costs of different types of institutions. That is why AICUNJ recommends a revamped SEOG Program that targets funding on students with the greatest need for funds, and ties appropriations for the two major Federal grant programs more closely together. And that is why AICUNJ supports the proposal that the GSL Program be restructured to limit loans to need.

AICUNJ therefore urges you to restructure the Pell Grant Program to assure access for all eligible students to all types of higher education. The NAICU proposal is offered as a compromise proposal that would insert price sensitivity for low- and middle-income students desiring to attend higher tuition colleges and universities, assure living expense allowances for the lowest income students who pursue their education at lower priced institutions and are more dependent on living expense support, and keep the total cost of the program within the realm of reasonable appropriations growth.

This proposed reform of the Pell Grant Program would provide a true foundation upon which to build the other Federal, State, institutional, and private student aid programs. This would be accomplished by basing the Pell award on a two-part calculation: half of tuition, mandatory fee and book expenses for all eligible low- and middle-income students, up to a $2,100 maximum, plus a substantial allowance up to $2,100 for all low-income students to help them meet their living expenses in all types of colleges and universities. This mechanism would award substantial grant dollars to low-income students for their living expenses and for up to half of their tuition, fees and books, and it would also allow middle-income student participation for up to half of the tuition price charged to them.

Mr. Chairman, the components of the grant aid allocation system to be discussed today—master calendar, needs analysis, academic progress, and ability to benefit—are important aspects of the financial aid system that allows students to aspire to independent higher education. The current student aid delivery and needs analysis systems are complex and confusing for all concerned, and are not operating as Congress intended. Congress attempted to address part of the problem by mandating a single needs analysis system in the 1980 amendments to the Higher Education Act. But implementation of the new system was deferred. The 99th Congress has the opportunity to address this issue.

AICUNJ recommends that the multiplicity of needs analysis methodologies currently in use be reviewed to determine whether a new, single methodology for determining family ability to pay can be developed for all Federal student aid programs. The objective is to simplify the current system while maintaining discretion for financial aid administrators to adjust for individual student circumstances.

A uniform methodology should be designated as the single national standard for measuring a family's ability to contribute toward postsecondary educational expenses. The reauthorizing legislation should contain language requiring development of a family contribution schedule by the Secretary of Education, with the active involvement and participation of the financial aid community. Annual adjustments or refinements to the uniform methodolgy should be based upon reliable and current economic factors.

We should avoid establishing separate family contribution schedules, as those currently used for the Pell Grant Program.

AICUNJ strongly recommends the adoption of the ANICU-proposed master calendar for the delivery of Federal student aid. The delays, disruptions, and uncertainties in the delivery system over the past few years have caused confusion and misunderstandings that have impeded students from deciding their educational futures. The master calendar proposed by NAICU would help ensure adequate notification and timely delivery of aid funds by requiring the Secretary of Education to adhere to a set schedule of dates for each step in the award cycle.

AICUNJ recommends that a limitation be placed on the number of years a student may receive a grant, in order to assure that students are making satisfactory progress toward completion of their studies.

New Jersey spent several years developing a standard of satisfactory academic progress to be used in determining eligibility for State student assistance. Though time consuming, this process proved useful in retaining confidence in the academic standards of New Jersey's colleges and in maintaining fairness for aid recipients. On the basis of our experience in New Jersey, we recommend students be allowed a maximum of 5 academic years of Federal student assistance. This standard would allow for 5 year degree programs, for enrollment in remedial courses and for emergency situations, such as illness or changes in family status.

Overly burdensome and unnecessary requirements have been imposed on institutions by the Education Department to force compliance with the ability-to-benefit provisions of the current legislation. Development of a standard for determining satisfactory academic progress should provide sufficient control over a student's receiving title IV aid. This should eliminate the need for the ability-to-benefit provisions.

Mr. Chairman, if I may very briefly sketch the problems of three of our students that illustrate these rather technical points in the aid delivery system.

One student had difficulty with the calendar problem. She applied for financial aid on the 1st of January of this year, through the college scholarship financial aid forum. The student was notified by the Pell Grant Program that she had an eligible index for a Pell grant award. She was notified on April 10. However, the 1985-86 Pell award table had not been issued at that date, and the 1984-85 Pell award table which was being considered for use in 1985-86 didn't provide an award for the stated index. Without a federally approved award table for 1985-86, the financial aid office was unable to make a definitive statement of a Pell award to this student. This chain of events caused confusion for the student, who was not able to get a resolution of her final Pell award for September until just yesterday when the approved table was finally received by the university.

Another student illustrates the problem with the multiple eligibility formulas. This student applied for financial aid in March 1984 for the 1984-85 year. The student was notified by the Pell Grant Program that he had an ineligible index for a grant in late April 1984. He and his family assumed, therefore, they were ineligible for all aid. His Pell index based on the Pell grant formula was $3,480, substantially above the Pell cutoff of $1,700. However, his family contribution was $3,780 under the uniform methodology which qualified him for campus-based State and university aid amounting to $5,900. Further complicating this case was an additional needs test for guaranteed student loan eligibility. Only through intensive counseling with the family did they realize it was finally possible for the student to attend our university. The student's final aid package involved needs assessment under three different formulas.

The third student I want to tell you about was admitted to Fairleigh Dickinson in the fall of 1980 under the Educational Opportunity Fund Program. This is a New Jersey educational program designed to identify financially and educationally disadvantaged youngsters who show potential for successful completion of a college program. This student's freshman year began with two semesters with a reduced 12-credit program with remediation in math and English. At the completion of his third semester he had a 1.76 average—a 2.0 is satisfactory—based on 34 completed credits. However, at the end of 1984-85, his fifth year, he graduated with a 2.31 overall average, having attained a 3.2 average in his last year. This is an illustration of a 5-year eligibility timeframe for Federal financial assistance. This flexibility allowed the university to build a successful academic track for this student.

Mr. Chairman, I thank you for the opportunity to present these remarks to the subcommittee, and I look forward to any questions you may have.

Mr. FORD. Thank you very much.

Presently, if it takes you 9 years to go to school to complete your education, there is no limitation. What is the value of putting a limitation now on how many years you can attend school?

Mr. DONALDSON. Well, we do believe that the 4-year standard is no longer an adequate one. But I think to stretch it——

Mr. FORD. We don't have a 4-year standard.

Mr. DONALDSON. I know; but to stretch it out as much as 9 years I think makes it rather difficult for the institution which has its own satisfactory progress benchmarks along the way. Many institutions have adjusted to something nearer a 5-year standard because of the—of course, we are talking about students who are attending at a so-called full-time rate. So the 5-year standard in our experience in New Jersey provides for the problems with financial or family problems and with the difficulties that some students have who have to begin with remedial education and yet does not stretch so-called full-time attendance out to an unreasonable extent.

Mr. FORD. Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman.

Are you doctor?

Dr. Donaldson. Yes.

Mr. Gunderson. I didn't see that. I just wanted to make sure before I called you doctor that you were.

Doctor, you talk about the need to go to a uniform methodology in determining financial aid eligibility, one system. And yet, you also seem to allude in parts of your statement about the fact that the Pell grant needs to better serve the low-income people. Some would contend that the reason the Pell grant has a separate formula is to weight it to the lower income, those who need more.

Do you think we would exacerbate the criticism we have been getting in these hearings about the fact that the Pell grant is not adequately serving low-income people today if we would go to one standard formula? For example, if we would take the GSL formula and campus-based uniform methodology formula and use that for determining Pell grants, do you think that would help or hurt those most in need of Pell grants?

Dr. Donaldson. The purpose, really, of our recommendations, the association I am representing today, is to ensure that the Pell grants are more responsive to the needs of the low-income students. So we certainly would not recommend a single methodology that deviated from that purpose. We are not recommending the uniform methodology or the GSL methodology. What we are recommending is that a national task force of financial aid experts work with the Secretary to come up with a new methodology that really combines the strengths of all of these, and then use just that one standard methodology for all programs.

Our purpose would be that in that new methodology Pell grants through the restructuring that we also recommend would continue the needs, or would even better serve the needs of the low-income students in particular.

Mr. Gunderson. OK. I just wanted to check on where you were and which formula you supported, because a lot of people tend to think the uniform methodology is a more accurate reflection. Would you agree or disagree with that?

Dr. Donaldson. No, I don't think that is necessarily the case if you look at the low-income families. We are not advocating the substitution of that particular methodology for the others, but simply the development. I think there is a lot of experience and wisdom in the financial aid community that I think the Secretary of Education could draw on in coming up with such a single methodology.

Mr. Gunderson. OK, thank you.

Thank you, Mr. Chairman.

Mr. Ford. Mr. Perkins.

Mr. Hayes.

Mr. Hayes. No questions.

Mr. Ford. Thank you very much, Dr. Donaldson. We appreciate your rousing support for NAICU's proposal. I just wish we could afford to do it.

Dr. Donaldson. I think we can't afford not to do it, sir. Thank you.

Mr. Ford. Well, if you can sell that to David Stockman and the President, I will light candles for you for the rest of my days.

Dr. **Donaldson**. We have been trying to tell them but they are not listening.

Mr. **Ford**. Dr. Stephen Horn, president of the California State University at Long Beach; Mr. Michael Keeling, student at Eastern Kentucky University; Mr. Daniel B. Taylor, senior vice president of the college board, who is accompanied by Mr. Donald Routh, university director of financial aid at Yale University, chairman of the College Scholarship Service Assembly of the College Board.

Mr. **Ford**. Mr. Perkins.

Mr. **Perkins**. Well, I guess at this time I would like to take the opportunity to welcome Mr. Keeling. He has contacted us and has shown a great deal of interest, making several trips, is my understanding, here to Washington before. He is very concerned about the student aid problem and the problem of independence, I understand, for college students.

Mr. Keeling, it is a pleasure to have you with us today.

STATEMENT OF MICHAEL B. KEELING, STUDENT, EASTERN KENTUCKY UNIVERSITY

Mr. **Keeling**. Thank you.

[The prepared statement of Michael B. Keeling follows:]

Prepared Statement of Michael B. Keeling, National Issues Chairman, Eastern Kentucky University Student Association

Mr. Chairman, members of the committee, I would like to take this time to both introduce myself and thank the members of this Committee for allowing me to appear before you this afternoon. It is a unique opportunity to be a part of these hearings.

My name is Michael Keeling, a senior Marketing and Management Major at Eastern Kentucky University in Richmond, Kentucky. I am twenty-five years old and intend to graduate in May of 1986.

Due to the financial condition of my parents and their divorce, my sisters and I have concluded that we would have to pay for our own college education. I wasn't certain if this was a realistic goal until one year after I graduated from high school. It was at this time, I became a father out of wedlock.

Aside from the fact that being an unmarried father has a social stigma, the financial responsibility of this occurrance had rendered me incapable of becoming a college student.

I had therefore decided to pursue my career with merely a high school education. Three years later, I discovered that I would be incapable of providing my son, or myself, with any luxuries without a college education. I felt cheated that my peers were given the opportunity to realize their potential through some form of access to Higher Education. At this time, I decided to investigate student financial aid.

Before I began this investigation, I uncovered two elements of my financial situation that added to my frustration. One, I could not benefit from claiming my son as a dependent because he lives with his mother; and two, there are no income tax exemptions or deductions that exist for recognizing child support payments.

As I began filling out my financial aid forms, I found it equally frustrating that there was no place to enter the amount of child support payments. In short, the financial aid need analysis service considered me an average independent student with an average need.

After speaking with the Financial Aid Director at Eastern Kentucky University, I discovered this situation could be changed. He adjusted my budget due to the fact that my summer savings would go directly to child support payments. At this point, Higher Education and the opportunities associated with it became a realistic goal for my son and myself. I have worked various jobs to support myself and my son throughout the course of my college career and in my opinion, this goal transition has been a great success.

This encounter with the Financial Aid Office has led me to an involvement with the Student Association at Eastern Kentucky University. After several terms as an elected student representative, I was appointed chairman of a National Issues Committee, a Committee that specializes in student financial aid. It is in this capacity that I appear before you today.

This Committee has engaged in several projects throughout the course of the most recent academic school year. One achievement of particular interest is the coordination of a network of universities within the state of Kentucky to unify our voice in order to have an impact on student financial aid programs. I am also very happy to report that the majority of our student body presidents are committing themselves to mobilization in order to provide this Committee with pertinent information that will assist in constructing this and other pieces of legislation that will affect our particular constituency.

In the midst of the research that this Committee has conducted in the past year, we have uncovered a few points of particular interest:

1. *Validation.* In an effort to address increased validation, I would like to make the following statement: At Eastern Kentucky University, 81 percent of our validations were cleared because they were accurate or because we (1) applied tolerance levels or (2) recalculated with no change of award.

I am certain that there is a cost associated with each additional student that is validated. Therefore, there must be a point where increased validation will yield diminishing returns. It is highly intimidating to think that the Department would go to such an expense to "catch" every student who made errors.

2. *Time Period for Establishing the Student's Independence.* The following information should be considered before requiring the student to account for an additional year of independency beyond the two presently required. I am referring to the three, two-part questions that appear at the beginning of the financial aid form. In our opinion, in order for the definition of independent status to be accepted and effective it must be perceived as fair by students, their families, and by the public. If the definition is thought to be unfair, students may attempt to manipulate the system to serve their own purposes, the public may withdraw its support of student aid, or both. The amount of time that a student lives at home does not necessarily determine their independence. A student may find themselves falling in and out of independency by moving back home due to the student's illness, divorce, or to assist their parents in a similar situation. A student may also find himself completely independent within a period of six months. Therefore, should the student's parents who permit (or ask) their child to stay in their home for more than six weeks be held primarily responsible for their child's cost of education?

If the time the student lives at home is an important factor, certainly the period of time that is currently accounted for by the student is sufficient. For these reasons, the definition of independent status should, by no means, encompass a period of more than two years.

3. *Unverifiable Items.* It is my understanding that independent students under twenty-three years of age and single, that are selected for validation, are required to present their parents tax forms to indicate their independence. It is also my understanding that there is no conceivable way to verify whether or not the student lived with the parent(s) for more than six weeks. Our Committee holds the belief that this is an area that the student can lie with limited consequence.

With this in mind consider the following scenerio. In January or February, before the perspective student and his or her parent(s) have filed their taxes, they may consider shifting the parents responsibility to the federal government in the following way. The parent(s) may opt not to claim their child as a dependent on income tax forms. Additionally, they may claim the student is independent on financial aid forms. If the student is validated, they can merely say that they lived elsewhere and their parent(s) did not give them over $750 worth of support. The result of this decision is that the student's parent(s) will not be expected to contribute to their child's education eight months later.

There are a few alternatives that should be considered when trying to award the truly independent student. Firstly, Eastern Kentucky University has adopted the use of a notarized independent statement. The statement asks the student and parents the three, two-part questions that appear at the beginning of the financial aid form. The statement must be notarized and returned to the financial aid office before the award is given. Certainly, this is a viable alternative to 100 percent validation. Currently Eastern is the only University within the state of Kentucky that uses the notarized independent statement. Fifty percent of financial aid recipients in Kentucky are considered independent. Presently, 30 percent of financial aid recipients at Eastern Kentucky University are considered independent. These percentages indicate that the use of such a statement may have prevented fraudulent financial aid forms.

Second, there are students who are reporting an extremely low income and declaring themselves independent. Is a student who reports an income of $500 independent? It would appear that a checking mechanism could be built into the validation process that will identify these students and request information that will prove how they lived with such a low income.

4. *The Unmarried Parent Who Wishes to Attend College.* The perspective student who is responsible for a child will commonly live at home, for a period of time, out of necessity. The perspective student may or may not have custody of the child; however, having a child will largely determine their ability to live alone. Since the perspective independent student cannot live with the parent for more than six weeks, this raises questions about the unmarried parent.

Is the perspective student who has the following situation independent? (1) The perspective student has the responsibility of a child. (2) The perspective student's parents do not claim their child or grandchild as dependents on income tax forms. (3) The prespective student does not receive over $750 of cash support from their parents. (4) The perspective student lived with the parent for more than six weeks.

It is the opinion of this Committee that the perspective student with this legal and financial responsibility is in fact independent, and they should be considered as such.

It would appear to me that these individuals, who without training could continue to be on welfare roles, food stamp programs, and so forth. These recipients would be better served by a postsecondary education. Through proper education and training these individuals would be able to pay their fair share to taxes and reduce the welfare roles.

Mr. Chairman, Members of the Committee, once again thank you for hearing my testimony. I have only briefly explained a few items of interest, I would be glad to answer any questions you may have in regard to my organization or my opinion.

Respectfully submitted,

MICHAEL B. KEELING,
National Issues Chairman,
Eastern Kentucky University's Student Association.

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Before I began this investigation, I uncovered two elements of my financial situation that added to my frustration: One, I could not benefit from claiming my son as a dependent because he lives with his mother, and two, there are no income tax exemptions or deductions that exist for recognizing child support payments.

As I began filling out my financial aid forms, I found it equally frustrating that there was no place to enter the amount of child-support payments. In short, the financial aid needs analysis service considered me an average independent student with an average need.

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The amount of time that a student lives at home does not necessarily determine their independence. A student may find themselves falling in and out of independency by moving back home due to the student's illness, divorce, or to assist their parents in a similar situation. A student may also find himself completely independent within a period of 6 months. Therefore, should the student's parents who permit or ask their child to stay in their home for more than 6 weeks be held primarily responsible for their child's cost of education?

If the time the student lives at home is an important factor, then certainly the period of time that is currently accounted for by the student is sufficient. For these reasons, the definition of independent status should by no means encompass a period of more than two years.

Three. Unverifiable items. It is my understanding that the independent students under 23 years of age and single that are selected for validation are required to present their parents' tax forms to indicate their independence. It is also my understanding that there is no conceivable way to verify whether or not the student lived with the parents for more than 6 weeks. Our committee holds the belief that this is an area that the student can lie with limited consequence.

With this in mind, consider the following scenario: In January or February, before the prospective student and his or her parents have filed their taxes, they may consider shifting the parents' responsibility to the Federal Government in the following way. The parents may opt not to claim their child as a dependent on income tax forms. Additionally, they may claim the student is independent on financial aid forms. If the student is validated, they can merely say that they lived elsewhere and their parents did not give them 750 dollars' worth of support. The result of this decision is that the student's parents will not be expected to contribute to their child's education 8 months later.

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Four. The unmarried parent who wishes to attend college. The prospective student who is responsible for a child will commonly live at home for a period of time out of necessity. The prospective student may or may not have custody of the child; however, having a child will largely determine their ability to live alone. Since the prospective independent student cannot live with the parent for more than 6 weeks, this raises questions about the unmarried parent.

Is the prospective student who has the following situation independent? First, the prospective student has the responsibility of a child; second, the prospective student's parents do not claim their child or grandchild as dependents on income tax forms; third, the prospective student does not receive $750 of cash support from their parents; and fourth, the prospective student lived with the parent for more than 6 weeks.

It is in the opinion of this committee that the prospective student with this legal and financial responsibility is, in fact, independent and they should be considered as such.

It would appear to me that these individuals, who without training could continue to be on welfare rolls, food stamp programs, and so forth. These recipients would be better served by a postsecondary education. Through proper education and training these individuals would be able to pay their fair share of taxes and reduce the welfare rolls.

Mr. Chairman and members of the committee, once again I thank you for hearing my testimony. I have only briefly explained a few items of interest, and I would be glad to answer any questions you may have in regard to my organization or my opinion.

Mr. FORD. Thank you.

Dr. Horn.

STATEMENT OF STEPHEN HORN, Ph.D., PRESIDENT, CALIFORNIA STATE UNIVERSITY AT LONG BEACH

Mr. HORN. Thank you very much, Mr. Chairman.

I am Stephen Horn, president of California State University, Long Beach; today, representing the American Association of State Colleges and Universities.

If I might have my statement included in the record, Mr. Chairman, I would like to summarize some of the key points.

Mr. FORD. All statements will be included in the record, without objection.

[The prepared statement of Dr. Stephen Horn follows:]

PREPARED STATEMENT OF DR. STEPHEN HORN, PRESIDENT, CALIFORNIA STATE UNIVERSITY, LONG BEACH, CA.

Mr. Chairman and Members of the Subcommittee:

My name is Stephen Horn. I am President of California State University, Long Beach. I am here today representing the American Association of State Colleges and Universities (AASCU). AASCU is pleased to testify today on a number of issues affecting student financial aid. Earlier this year, we submitted a number of student aid recommendations to you. Today, I would like to highlight some of them.

These recommendations build on the advancement this subcommittee made with the 1980 Education Amendments. We supported those amendements in 1980, and we continue to support them. If those amendments had been funded, some of the problems facing our financial aid programs would not exist. We think the underlying wisdom of the 1980 Amendments continues to make sense, and the recommendations that we make at this hearing really represent a refinement of the sound foundation establisned by the 1980 Act. The AASCU recommendations I will be discussing can be summarized as follows:

1. Provide annual increases in the maximum Pell grant of $200 each academic year, beginning from the point where the 1980 Amendments left off;

2. Provide increases in living allowances for all students of $100 each academic year;

3. Place a statutory limit of 70 percent on the amount of college costs that can be covered by a Pell grant;

4. Provide a single needs analysis system for federal student aid dollars;

5. Provide ways to improve the federal student aid delivery system;

6. Make part-time students eligible for federal student aid programs, and

7. Authorize the forgiveness, on a year for year basis, of student financial aid granted at the graduate level for those American Indian, Black, Hispanic and female students who have completed their terminal professional degree and serve on the faculty of an accredited American university.

At this time I would like to go into these proposals in a little more detail.

Pell Grants

Mr. Chairman, our recommendation for Pell Grants would begin where the 1980 Amendments left off. Under the 1980 Amendments the maximum Pell Grant for academic year 1985-86 should have been $2600. At that level the percentage of cost limitation for the Pell Grant program would be 70 percent. Our recommendation would provide a $2600 Pell Grant, not to exceed 70 percent of cost, for the academic year 1986-87. For each successive academic year the maximum Pell Grant would increase by $200, so that by academic year 1990-1991 the maximum would be $3400. With the cost of college at the levels they are these days, Mr. Chairman, a $3400 Pell Grant for academic year 1990-91 does not seem unreasonable.

This year Congress has already approved a Pell Grant of $2100 with a 60 percent cost-of-attendance limitation. And Congress has not yet determined its appropriations for Fiscal Year 1986. We do not think it is unreasonable to begin with the first year of reauthorization with a maximum grant of $2600. We think that it is budget sensitive and that it reflects a recognition of the needs of low-income students throughout this nation. The value of the Pell Grant has been seriously eroded in recent years. Inflation and the fact that increases in the maximum grant have not followed the 1980 timetable have caused the Pell award to be worth less today than it was several years ago. Providing Pell with the modest increases AASCU recommends will restore much of the purchasing power that Pell once had. We think that is an important action for Congress to take.

We would also cap the cost-of-attendance limitation at 70 percent. We are sensitive to the argument that no student should be able to have 100 percent of cost covered by the Pell Grant program. The twin limitations of the cost-of-attendance cap and a maximum grant ceiling will insure that no student can get 100 percent of cost covered by Pell. Nevertheless, we believe this recommendation will be a giant step toward providing the foundation of access to higher education which was the original Pell Grant intention.

There is one other aspect of our Pell Grant proposal that should be emphasized. The 1980 Amendments allowed institutions to have a great deal of flexibility in determining cost of attendance allowances. Unfortunately, this provision of the amendments has been limited by subsequent congressional actions and by administrative regulations. Because of this, living allowances for students who reside at home with their parents and for all other students have been kept unrealistically low. Our proposal would establish for academic year 1986-87 an allowance of $1800 for students without dependents who reside at home with their parents, and a $2600 allowance for all other students. These allowances would increase $100 each academic year, thereby insuring that rising living costs are reflected in the allowance.

Mr. Chairman, the changes that we propose in the Pell Grant program build upon the historical commitment made in the 1980 Education Amendments and would provide significant and much needed increases in the Pell program to enable it to insure more effectively that low income individuals will have access to postsecondary education. These recommended changes deviate very little from existing law. In fact, if the Pell Grant had been funded according to the 1980 Education Amendments, reauthorization would begin exactly where these proposed recommendations begin. I recognize that other sectors of the higher education community have made proposals concerning the Pell Grant program. For your information, I have attached to this testimony a chart comparing the impact of these various proposals on families at different income levels attending different kinds of educational institutions nationally, and different kinds of institutions in my home state of California.

In developing our recommended proposals AASCU looked at a number of alternatives to the existing Pell Grant program and examined their impacts. We believe that our proposal is the best of all these alternatives. It does not eliminate a significant number of middle income students from the program, and it retains the essential structure of the Pell Grant program that has existed since its inception in 1972. I think it is appropriate to point out at this time, Mr. Chairman, that although this program was greeted with some skepticism during its creation in 1972, it now has been accepted universally as a program that is the true foundation of our federal commitment to student assistance. And it is a program that is working well, and that but for a little additional funding could work even better. As the old maxim goes Mr. Chairman, "if it isn't broken don't fix it." We do not think that the current Pell Grant program is broken. Our proposals will simply make it work a little more effectively.

Single Needs Analysis

AASCU also believes that a single needs analysis system for federal student aid programs should be incorporated into the Higher Education Act. Such a system was envisioned in the 1980 Amendments, but it was not implemented. We applaud the proposal by the National Student Aid Coalition to create such a single needs system. We believe that the decision as to how taxpayers dollars will be distributed should be made by representatives elected by taxpayers. Too often the current system, which has bureaucratic decision making deciding this distribution, has not served the needs of truly needy students. Congress should be making decisions on needs analysis. AASCU urges this subcommittee to include a single system of determining need for federal student aid in the Higher Education Act.

In developing such a single needs analysis system several factors ought to be included.

First, independent students with dependents should have their income treated in the same way as students from dependent families. AASCU recognizes that this committee included this provision in the 1980 Amendments. Unfortunately, it has never been implemented. We hope that its inclusion will be contained in this reauthorization bill, and that it finally will be implemented. There is no sound reason for treating independent students with dependents differently than students from dependent families. Their incomes and assets should be assessed in exactly the same manner.

Second, in the area of independent students, we think a new definition for financial independency has to be included in this reauthorization bill. We applaud the efforts of the National Association of Student Financial Aid Administrators (NASFAA) in trying to develop a new definition. And, in principle, we support the definition that has been submitted to you by the American Council on Education and others. We have one major difference however, and that is that we believe that financial information should not be required of students who are twenty-two years of age or older by January 1st of the award year. For too long we have been constructing student aid policy on the concept that students are eighteen to twenty-one years of age. As previous witnesses have testified, a whole new generation of students is attending college these days, and the old assumptions are denying them assistance. Policies based on a misconception have to be corrected. By declaring students to be independent when they reach 22, we will be taking a giant step in recognition of the new--broader ranged in age-- generation of college students. We also agree that graduate students and professional students should be declared independent immediately upon admission to those schools. Otherwise, we support the remaining proposed definition which would in effect declare independent anyone who is a ward of the Court or an orphan, married, has dependents, or is a veteran of the Armed Services.

Third, returning to needs analysis, Mr. Chairman, there are several specific recommendations that we would like to suggest. On the whole AASCU supports the recommendations in this area which have been made by the American Council on Education and the the National Student Aid Coalition. However, we do differ on several points. With specific reference to Section 482 of the Higher Education Act, we believe that in defining effective family income, public assistance payments and child support payments should be excluded in determining a family's ability to pay for a college education. In that same section, in determining the amount of assets that are counted in arriving at a family's ability to pay, we would exclude equity in a family's home from the computation of assets. And in recognition of the fact that many students and their families might not own a home, we would deduct an asset reserve of $25,000 for such students.

Again in Section 482 AASCU would also add several new allowances to be used in determining the cost of attendance. **First**, AASCU would provide an allowance for dependent care expenses recognizing that such expenses are important to a student who might not otherwise be able to pursue an education because of their responsibilities for dependents. **Second**, we would provide a transportation allowance for commuting students, recognizing that often times the cost of commuting to and from classes can be a deterrent to a student's desire to pursue a college education. We know that these recommendations have been supported by the Coalition for Aid to Part-Time Students. And AASCU is pleased to be part of that Coalition. And **third**, in recognition that there are often contradictions between student aid eligibility policies and the eligibility policies for other domestic assistance programs, AASCU would urge you to try to find a way to prohibit the counting of federal student aid as income or as a resource for eligibility purposes for other federal programs. The subcommittee has been provided with some language which, if adopted, will carry out this goal.

Student Aid Delivery

AASCU also have made several recommendations in the area of student financial aid delivery:

*We endorse the master calendar proposal advanced by the National Student Aid Coalition and the National Commission on Student Financial Assistance. Such a statutory timetable is necessary for the orderly delivery of student aid funds.

*We also endorse the National Student Aid Coalition's proposal for student aid information and counseling. Such a proposal is greatly needed, since lack of information about student aid programs is often the major deterrent in the decision to attend college made by an individual from a low income family.

*We also believe that Section 483 of the Higher Education Act should be rewritten so that it is absolutely clear that students and parents are not to be charged a fee in applying for federal financial assistance. AASCU thought that this matter was resolved by the 1980 amendments. Unfortunately, it appears that this problem has not been resolved and we urge that it be resolved by this reauthorization legislation.

*Finally, in the area of delivery, we endorse the proposal to create a National Advisory Committee on Student Financial Assistance. We think such a committee is needed to advise the Congress on various issues concerning the timely delivery of student aid and the impact that student aid policies are having on students. We recognize and applaud the role Congress has played in recent years to make sure that the student financial aid system works as well as it does. Congress has sought to assure that the system works in a timely manner. We hope Congress continues this direction. That is why AASCU endorses the establishment of this advisory committee. Such a committee rightfully belongs as an advisory committee to Congress. Continuing Congressional concern and involvement in the area of student financial aid policy are essential if that policy is going to work.

Part-Time Students

The AASCU recommendations also address another important area, and that is aid to part-time students. In order to be eligible for student financial aid, Section 484 of the Higher Education Act requires that a student be carrying at least one-half the normal full time workload for the course of study the student is pursuing. This requirement should be eliminated, thus making less than half-time students eligible for student aid. We believe that this one step would go a long way towards guaranteeing educational opportunities for growing segments of our nation, and it would open the door to education to students who still find finances to be a barrier to such an opportunity. By making less than half-time students eligible, we would still require that they go through the same needs analysis as other students, and they would still have to meet the requirements of satisfactory progress that all other students have to meet. All we will be doing is making the benefits of student financial aid available to all students. We do not believe this would be a difficult step to implement, but we do think that such a change could make a major difference in the lives and aspirations of millions of our citizens.

Forgiveable Loan Program to Increase the Number of Minority and Female Faculty

America's colleges and universities still face a major gap in having sufficient numbers of educated minority and female professionals to staff their classrooms and laboratories. Currently twenty-five percent of all students in United States public schools are minorities. In my home state of California, minorities comprise forty-three percent of all public school students, and one-half of all students at the elementary level. Yet in terms of representation in our nation's faculties, the picture is a dismal one.

For Blacks and Hispanics, although high school graduation rates are increasing, college going rates are declining. And the minority rate of participation at the college post graduate level is no different. Doctorates earned by minority students are concentrated in the field of education. In 1981 blacks received only 4.2 percent of the Ph.D's awarded. By field, black students receiving Ph.D's ranged from less than one percent in physics and earth sciences to 8.8 percent in education. Hispanics received about 1.3 percent of all doctorates during that same period, which according to field of study, ranged from less than one-half of one percent of all degrees in engineering to 1.4 percent of the degrees in the arts and humanities.

The picture for women has improved somewhat in the past few years, but more progress is needed. Women comprised 27 percent of all full-time faculty nationwide in 1981. In that same year, women earned 31.8 percent of doctoral degrees.

Mr. Chairman, we need to attract more of our able minorities and women to college faculty positions than we are doing today. According to the report on graduate education in America submitted by the National Commission on Student Financial Assistance, a major reason for not attracting such students is the cost of graduate education, and the growing loan burdens students are accumulating to meet those costs. The program of loan forgiveness AASCU proposes today is a modest step towards addressing a major problem. But it is an important first step, and one that will reap tremendous benefits.

These are the highlights of the AASCU proposals. In addition, I have attached to this testimony several studies which our association has completed over the past year which indicates some disturbing trends taking place in this nation. Minority college enrollments are declining, even though the number of minority students graduating from high school has been increasing. Some of the changes which have been recommended in student financial aid policy, particularly the change in the percentage of cost limitation, can help many of these minority students attend college. We have also found that there has been a decrease in low-income and minority students attending public institutions and receiving student aid. That study is attached for your consideration. We hope that this is not an irreversible trend and that this direction can be altered with the proper funding of student aid programs and with some of the changes that we have recommended, particularly the change in Pell percentage of cost and part-time student eligibility. Concerning half-cost, this committee recommended a change in that provision in the 1980 Amendments. For the first time, the FY 1985 Appropriations Act has made the mandated change. We think that such a change is historic and significant and will go a long way toward eliminating the barriers to higher education which have blocked access for so many low income students.

As always, AASCU stands ready to work with this committee and its staff as it develops proposals in this vital area of our national life. We commend this committee for the leadership it has exerted in the past, and we are confident that it will continue to exert that very positive leadership in the future. Nothing can be more important than providing the legislative framework so that Americans across this land can develop their human potential through access to higher education. Thank you.

COMPARISON OF PELL GRANT REAUTHORIZATION PROPOSALS

6/12/85

AASCU/AACJC	$2600 minus family contribution, not to exceed 70 percent of costs
NAICU	$2100 minus family contribution, not to exceed 50 percent of tuition, plus $2100 minus family contribution x 4
ACE	$3000 minus family contribution, or 60 percent of costs, minus family contribution whichever is lower.

Assumption in Comparisons

1. Average Costs at

A. community college	$4350 total charges, $551 tuition
B. AASCU institutions	$5112 total charges, $1112 tuition
C. NASULGC institutions	$5542 total charges, $1372 tuition
D. Independent institutions	$9729 total charges, $5283 tuition

2. Family Contribution — Used current Pell Grant family contribution schedule (Income minus taxes paid minus living offsets minus extraordinary expenses) to determine family contribution

3. Examples assume commuting students not living with parents

	AASCU/ AACJC	NAICU	ACE	CURRENT LAW ($2100)
1. 0 Family Contribution ($9000 Income)				
A. community colleges	$2200	$2375	$2131	$1531
B. AASCU institutions	$2600	$2656	$2467	$1870
C. NASULGC institutions	$2600	$2786	$2623	$2023
D. Independent institutions	$2600	$4200	$3000	$2100
2. $500 Family Contribution ($15,000 Income)				
A. community colleges	$2100	$ 375	$1631	$1531
B. AASCU institutions	$2100	$ 656	$1967	$1600
C. NASULGC intitutions	$2100	$ 786	$2123	$1600
D. Independent institutions	$2100	$1700	$2500	$1600
3. $1000 Family Contribution ($20,000 Income)				
A. community colleges	$1600	$ 275	$1131	$1100
B. AASCU institutions	$1600	$ 556	$1467	$1100
C. NASULGC institutions	$1600	$ 686	$1623	$1100
D. Independent institutions	$1600	$1100	$2000	$1100
4. $1500 Family Contribution ($24,000 Income)				
A. community colleges	$1100	$ 275	$ 631	$ 600
B. AASCU institutions	$1100	$ 556	$ 967	$ 600
C. NASULGC institutions	$1100	$ 600	$1121	$ 600
D. Independent institutions	$1100	$ 600	$1500	$ 600

CSU = California State College
CCC California Community College
ICU=Independent (California) College

EXAMPLES OF PELL GRANT AWARDS TO FULL TIME STUDENTS

Cost and Type	Living At Home			Living Off Campus			Living On Campus		
Institution	CSU	CCC	ICU	CSU	CCC	ICU	CSU	CCC	ICU
Full Cost Allowances									
($1900-$2100 Award Examples)									
Fees	650	100	6000	650	100	6000	650	100	6000
Miscellaneous	400	400	400	400	400	400	400	400	400
Room & Board	1100	1100	1100	1600	1600	1600	2950	2950	2950
Total	2150	1600	7500	2650	2100	8000	4000	3450	9350
($2,600 Award Examples)									
Fees	650	100	6000	650	100	6000	650	100	6000
Living Allowance	1800	1800	1800	2600	2600	2600	2600	2600	2600
Total	2450	1900	7800	3250	2700	8600	3250	2700	8600
($3,000 Award Examples)									
Fees	650	100	6000	650	100	6000	650	100	6000
Living Allowance	1500	1500	1500	3000	3000	3000	3000	3000	3000
Total	2150	1600	7500	3650	3100	9000	3650	3100	9000
Student Aid Index = 0									
$1900 Max. & 50% of Cost	$1075	$ 825	$1900	$1325	$1075	$1900	$1900	$1725	$1900
$2100 Max. & 60% of Cost	1290	990	2100	1590	1290	2100	2100	2070	2100
$2600 Max. & 70% of Cost	1715	1365	2600	2275	1925	2600	2275	1925	2600
$3000 Max., 60% Less EFC	1290	990	3000	2190	1890	3000	2190	1860	3000
NAICU Proposal	2425	2150	4200	2425	2150	4200	2425	2150	4200
Student Aid Index = 500									
$1900 Max. & 50% of Cost	$1075	$ 825	$1450	$1325	$1075	$1450	$1450	$1450	$1450
$2100 Max. & 60% of Cost	1290	990	1650	1590	1290	1650	1650	1650	1650
$2600 Max. & 70% of Cost	1715	1365	2150	2150	1925	2150	2150	1925	2150
$3000 Max., 60% Less EFC	840	540	2550	1740	1440	2550	1740	1440	2550
NAICU Proposal	425	150	1700	425	150	1700	425	150	1700
Student Aid Index = 1000									
$1900 Max. & 50% of Cost	$ 950	$ 700	$ 950	$ 950	$ 950	$ 950	$ 950	$ 950	$ 950
$2100 Max. & 60% of Cost	1150	700	1150	1150	1150	1150	1150	1150	1150
$2600 Max. & 70% of Cost	1500	1000	1650	1650	1650	1650	1650	1650	1650
$3000 Max., 60% Less EFC	340	0	2050	1240	940	2050	1240	940	2050
NAICU Proposal	325	0	1100	325	0	1100	325	0	1100
Student Aid Index = 1500									
$1900 Max. & 50% of Cost	$ 450	$ 200	$ 450	$ 450	$ 450	$ 450	$450	$450	$450
$2100 Max. & 60% of Cost	650	200	650	650	650	650	650	650	650
$2600 Max. & 70% of Cost	1000	500	1150	1150	1150	1150	1150	1150	1150
$3000 Max., 60% Less EFC	0	0	1550	740	440	1550	740	440	1550
NAICU Proposal	325	0	600	325	0	600	325	0	600

Educational Support Services
Chancellor's Office, CSU
03/20/85

STUDENT AID AND MINORITY ENROLLMENT IN HIGHER EDUCATION

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Executive Summary

This study provides information on changes in the participation of black and Hispanic students in postsecondary education between 1978 and 1983. Racial and ethnic status often has not been examined in studies such as this one for lack of reliable data on minority students. Although that situation is improving, the results of this study should be taken as suggestive. The purpose of the paper is to describe both the changes in college participation rates and in receipt of student aid by different student populations. The primary information sources used here are the October Current Population Surveys (CPS) and the Freshman Norms survey of the Cooperative Institutional Research Program (CIRP).

The major findings of this study are:

- On the minority population,
  - The black and Hispanic proportion of the total population will be greater than 25 percent in the year 2020, compared to less than 20 percent in 1980.
  - Growth in median income of black and Hispanic families has not kept pace with growth in median white family income. On this measure, black and Hispanic families were poorer in 1982, relative to whites, than they were in 1972.
- On the postsecondary education enrollment of black and Hispanic students,
  - Of all Hispanic students, 54.2 percent are enrolled in two-year public schools.
  - Of all black students, 41.1 percent are enrolled in two-year public schools.
  - Only 35.1 percent of white students are enrolled in two-year public schools.
  - White students receive a disproportionate share of degrees granted, although black and Hispanic students gained a slightly greater share of degrees in 1981 than they had in 1976.

- On meeting the costs of college,
  - Black and Hispanic students use more financial aid per student than do white students, but the differences are becoming smaller as white students use more aid.
  - White students met 13.3 percent more of their costs using departmental aid in 1983 than in 1978, while black and Hispanic students met 6.4 and 4.5 percent more of their costs, respectively.
  - The Department of Education provided 73.4 percent of all aid in 1983, compared to 61.0 percent in 1978.
  - The current net price of postsecondary education, i.e., the out-of-pocket family contribution, increased by 11.8 percent between 1978 and 1983, after adjustment for inflation.
  - Hispanic families saw their current net price increase by 21.5 percent; white families, by 12.2 percent; and black families, by 0.9 percent between 1978 and 1983.
- On participation in postsecondary education,
  - Overall, the participation rate in postsecondary education increased by 5.3 percent between 1978 and 1982. Among the college-eligible population aged 18-24, 28.4 percent were enrolled in 1978 and 29.9 percent in 1982. Dependent individuals were slightly less likely to be in school in 1982 and independent individuals were more likely to be enrolled.
  - Dependent individuals from families with income under $20,000 (inflation-adjusted) were less likely to be enrolled in 1982 than they were in 1978. Enrollment of dependent individuals with family income above $20,000 increased between the two years.

These findings suggest that it is more difficult economically to enroll in college now than it was in 1978. Lower-income families, among whom are a disproportionate share of minority students, lost resources during this period both in the form of family income and in student aid dollars. They became less likely to send their children to college. Higher-income families became more likely to send their children to two-year public schools, the lowest-cost institutions, than to more expensive schools. Thus, there is indication of trading down among students, from more expensive to less expensive schools and from less expensive schools to non-enrollment.

1.0 INTRODUCTION

> **The Paper examines changes in minority collegiate enrollment and participation in student aid. The availability of resources to pay for college is an important determinant in whether people attend college.**

The purpose of this paper is to describe some of the enrollment patterns of the black and Hispanic population in colleges and universities. Particular attention will be paid to the way in which college costs are financed. Because minority populations in this country are more likely to be low-income and thus lag behind the majority population in income, student financial assistance is a critical factor in financing the costs of their attending postsecondary institutions.

Although minority enrollment rates have increased over the last three decades, in recent years they have stabilized below the majority enrollment rate. There is evidence that enrollment rates for the lowest-income minority groups have declined since the mid-1970's. Recent economic problems, including inflation and unemployment, have had the greatest negative impact on the poorest members of the population. The poor are poorer today than they were in the mid-1970's and there are more of them. Median family income dropped by 12.6 percent between 1978 and 1982, after adjustment for inflation.

Federal and state programs of student financial assistance have not kept up with the increasing cost of college attendance. Many of the programs instituted in the 1960's and early 1970's, as part of the national commitment to rectify historical neglect of minorities, have not received enough increases in funding to assure that the maximum student aid grants are adequate to pay today's costs at the same rate as was the case when the programs were instituted. For example, the Pell program would need to provide a maximum grant of approximately $3,000 today to equal the purchasing power of the $1,600 maximum grant available 1974. Over the last decade, colleges have had to increase tuition and fee charges to keep up with inflation. Public colleges increased these charges by 94 percent between 1973-74 and 1982-83. During the same time period, private college costs increased 119 percent (NCES, 1984). As a result, an increasingly poorer population has faced steadily higher costs of education with shrinking amounts of aid. The loss of Social Security benefits and the decline in eligibility for veteran student benefits have had a significant impact on minorities who make up a disproportionate share of recipients relative to their share of the population. It is to be expected that under these conditions enrollment of minorities in college will not continue to expand and may even decline.

The importance of student aid for minority and lower-income students was stressed at a policy seminar titled "Who Gets Student Aid" (American Council on Education, 1984). Evidence presented at the seminar suggests that the proportion of minority students receiving federal aid at public schools declined between 1981-1982 and 1983-1984.

The availability of student aid may be the critical factor in whether an individual enrolls in college, but it is not the only determinant. Terkla and Jackson (1984, p. 4) identify the basic criteria in the college-going choice question as "a combination of students' aspirations, academic achievement, and the assessment of the availability of resources..." So, while this study focuses on the resources minority students use to pay for college, no claim is made that student aid is the sole determinant for college-going behavior.

This paper first reviews some of the characteristics of the minority population in the nation, including enrollment in college. It then describes the way minority students finance their educational costs. Two measures of equity are used to evaluate the fairness of current student financial assistance programs. The indications are that the programs are less equitable now than they were in the mid-1970's.

2.0 DEMOGRAPHIC AND SOCIOECONOMIC FACTORS

> Members of all minority groups will comprise more than 30 percent of the U.S. population in the year 2020 (1980 = 19.1 percent). Black and Hispanic families are falling further behind white families according to a number of economic measures. While white individuals are as likely to attend college now as in the mid-1970's, black and Hispanic participation has fallen off. Once enrolled in college, black and Hispanic students are less likely to receive degrees than are white students.

In 1980, black and Hispanic Americans constituted 19.1 percent of the total population. More significantly, however, while the total population increased by approximately 50 percent between 1950 and 1980, the Hispanic population grew by 255 percent. Over the same time period, the number of black Americans increased by more than 150 percent (Cary, et. al., 1983, p.8). The rapid growth of both black and Hispanic populations in the U.S. is likely to continue through the beginning of the next century. Table 1 presents population projections (numbers and percent of totals) of white and minority groups out to the years 2000 and 2020. By 2020, between 25.4 and 28.7 percent of the population will be either black or Hispanic, depending on annual net immigration. In contrast, the percent of the population which is non-Hispanic white is shown as declining between 1980 and 2020 from 79.9 percent to 69.5 percent (with low immigration) or 64.9 percent (with high immigration).

Black and Hispanic Americans are younger than white Americans. Data from the 1980 Census of the Population show that the median age for white Americans was 31.3 years, for black Americans 24.9 years, and for Hispanic Americans 22.1 years. In the years ahead, the number of black and Hispanic individuals of college age will grow faster than the number of white individuals.

The minority population is not evenly distributed geographically. The largest number of black Americans reside in the South, with a greater Hispanic concentration in the South and West.

TABLE 1

U.S. POPULATION 1980 AND AS PROJECTED FOR 2000 and 2020

Groups	1980 Number (mil.)	1980 Percent of Total	2000 Number (mil.)	2000 Percent of Total	2020 Number (mil.)	2020 Percent of Total
			Annual Net Immigration = 500,000			
Total U.S. Population	226.5	100.0	267.4	100.1	291.5	100.0
White	181.0	79.9	198.9	74.4	202.7	69.5
Black	26.5	11.7	35.2	13.1	41.7	14.3
Hispanic[1]	14.6	6.4	23.8	8.9	32.4	11.1
Asian and Other	4.4	2.0	9.5	3.6	14.7	5.0
			Annual Net Immigration = 1 million			
Total U.S. Population			279.1	100.0	316.9	100.0
White			200.3	71.7	205.6	64.9
Black			36.4	13.0	44.4	14.0
Hispanic[1]			30.3	10.8	46.6	14.7
Asian and Other			12.1	4.3	20.3	6.4

[1] May be of any race.

Source: Leon F. Bouvier and Cary B. Davis, *The Future Racial Composition of the United States* (Washington, D.C.: Demographic Information Services Center of the Population Reference Bureau, 1982).

Twelve states (New York, Pennsylvania, Ohio, Illinois, Michigan, Virginia, North Carolina, Georgia, Florida, Louisiana, Texas and California) have over 65 percent of the black population in the U.S. Almost 63 percent of Hispanic Americans live in just three states: New York, California and Texas. Table B-1 of Appendix B shows resident population by region and state, based on the 1980 Census.

The Hispanic population is diverse and not easily categorized. A recent study using 1980 data documents the diversity among Americans of Hispanic heritage. Mexican-Americans have the lowest proportion of students in college compared to other Hispanic groups. Cuban-Americans are closer to white Americans in terms of family income and college attendance. The college attendance rate of the Puerto Rican-heritage population is higher than than that for Mexican-Americans, although their family income is generally lower. The remaining group, a combination of all other Latinos, tend to have higher family incomes and college attendance rates (Lee, 1984).

Black and Hispanic families have lost economic power relative to white families over the last decade. In 1982, the median incomes of Hispanic and black families, as a percent of white family income, fell to their lowest point since 1972 (66 percent and 55 percent, respectively). Figure 1 shows the inflation-adjusted median income for white, black and Hispanic families. White family incomes grew faster than did minority family incomes. Furthermore, a higher proportion of black and Hispanic families live below the poverty level (See Appendix B, Tables B-2 and B-3). Figure 2 depicts this income picture for 1982, and shows high concentrations of black and Hispanic Americans in the lower family income categories. Not evident in the numbers on family income and proportion of the population in poverty is the fact that black and Hispanic Americans represent a larger proportion of families with dependent children and, thus, their income supports more people than that of white families (American Council on Education, p. 2).

TABLE 9-3

POVERTY RATE OF HISPANIC, BLACK AND WHITE FAMILIES:
1973-1982

Year	Percent of Families Below Poverty Level: Hispanic	Percent of Families Below Poverty Level: Black	Percent of Families Below Poverty Level: White	Ratio of Hispanic to White Poverty Rate	Ratio of Black to White Poverty Rate
1973	19.8%	28.1%	6.6%	3.0	4.2
1974	21.2	26.9	6.8	3.1	3.9
1975	25.1	27.1	7.7	3.3	3.5
1976	23.1	27.9	7.1	3.3	3.9
1977	21.4	28.2	7.0	3.1	4.0
1978	20.4	27.5	6.9	3.0	3.9
1979	20.3	27.8	6.9	2.9	4.0
1980	23.2	28.9	8.0	2.9	3.6
1981	24.0	30.8	8.8	2.7	3.9
1982	27.2	33.0	9.6	2.8	3.4

Source: U.S. Bureau of the Census, Current Population Report, Series P-60, Nos. 138 and 140.

TABLE B-4

ENROLLMENT IN INSTITUTIONS OF HIGHER EDUCATION BY RACIAL AND ETHNIC GROUP AND CONTROL AND TYPE OF INSTITUTION FALL 1982

Type and Control of Institution	White	Black	Hispanic[1]
All Institutions			
Number	9,997,117	1,101,499	519,250
Percent	100.0	100.0	100.0
Public Universities:			
Number	1,853,299	99,742	44,184
Percent	18.5	9.1	8.5
Private Universities:			
Number	596,202	44,565	21,286
Percent	6.0	4.0	4.1
Public Other 4-Year:			
Number	2,404,628	320,985	119,960
Percent	24.1	29.1	23.1
Private Other 4-Year:			
Number	1,451,450	147,008	43,239
Percent	14.5	13.3	8.3
Public 2-Year:			
Number	3,526,771	452,390	281,502
Percent	35.3	41.1	54.2
Private 2 Year:			
Number	164,767	36,809	9,079
Percent	1.6	3.3	1.7
Total 2-Year:			
Percent	36.9	44.4	55.9

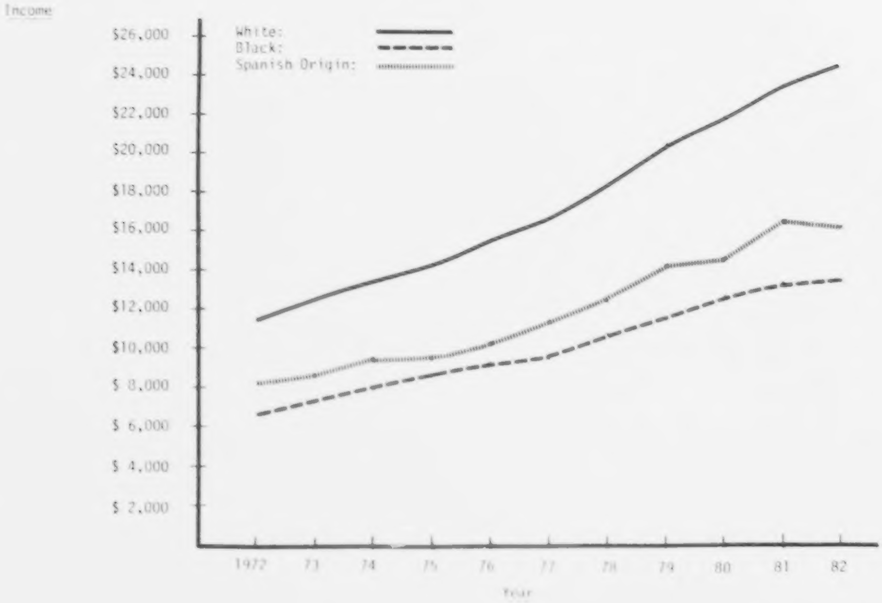
---

[1] May be of any race.

Source: National Center for Education Statistics, Unpublished Statistics (Washington, D.C.), Table A-21.

FIGURE 1

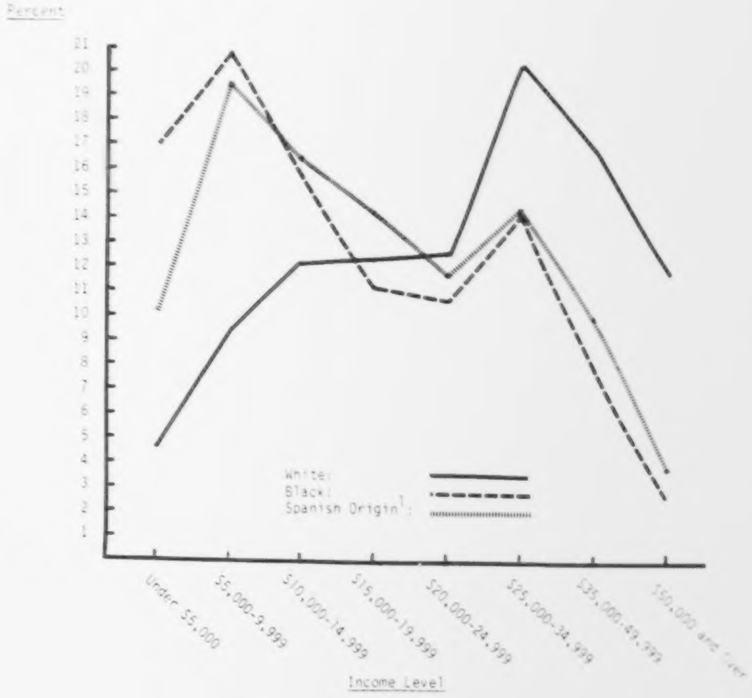
MEDIAN FAMILY INCOME IN CONSTANT 1982 DOLLARS
BY RACE AND SPANISH ORIGIN, 1972-1982



Source: U.S. Bureau of the Census, Statistical Abstract of the United States, 1984, Table No. 763, p. 463.

FIGURE 2

MONEY INCOME OF FAMILIES--PERCENT DISTRIBUTION BY INCOME LEVEL
BY RACE AND SPANISH ORIGIN
1982



Source: U.S. Department of Commerce, Bureau of Census, Statistical Abstract of the United States, 1984, Table 762, p. 463.

[1] Persons of Spanish Origin may be of any race.

2.1 Postsecondary Institutional Enrollment

While enrollment rates for white individuals were generally stable over the last decade, there was a significant surge in black enrollment between 1970 and 1975, a phenomenon generally attributed to the concurrent expansion of federal programs to assist minorities and low-income students in gaining access to institutions of higher education and an increased concern about minority achievement in American schools. By 1975, the percent of black high school graduates going on to college was almost at the level of the white population, although black high school graduation rates continued to be lower (U.S. Department of Education, 1983, pp. 3-4). Between 1975 and 1981, however, although the actual number of black students in college increased, the enrollees as a percentage of all college-eligible black Americans declined slightly from 1975 levels. Similarly, while the number of Hispanic students going to college between 1975 and 1981 remained steady, these students as a percentage of Hispanic high school graduates dropped markedly. Table 2 describes the college enrollment of whites, blacks and Hispanics in the 18-to-24 year old category between 1970 and 1981.

Another important aspect of minority higher education enrollment is the type of institution in which they are enrolled. Hispanic and black students are concentrated in the two-year community colleges. By comparison, in 1982 white students were twice as likely to enter public universities and more likely to enroll in private universities than were black or Hispanic students. The significance of these enrollment patterns is found in the availability of resources which differentiates the four-year institutions, especially universities, from two-year community colleges. According to Alexander Astin, more than twice the number of students in four-year institutions complete a Bachelor's degree within nine years than do those who begin their higher education at two-year colleges (Astin, 1982, p. 132). The enrollment figures by type and control are presented in Table B-4 of Appendix B.

TABLE 2

POPULATION, HIGH SCHOOL GRADUATES, AND COLLEGE ENROLLMENT OF 18-TO-24 YEAR OLDS, BY RACIAL/ETHNIC GROUP: 1970, 1975 AND 1981

Racial/Ethnic Group and Year	Population	High School Graduates	College Enrollment	College Enrollment as a Percent of Population	College Enrollment as a Percent of High School Graduates
	Numbers, in Thousands			Percent	
White					
1970........	19,608	15,960	5,305	27.1	33.2
1975........	22,703	18,883	6,116	26.9	32.4
1981........	24,486	20,123	6,549	26.7	32.5
Black					
1970...... .	2,692	1,602	416	15.5	26.0
1975........	3,213	2,081	655	20.4	31.5
1981........	3,778	2,678	750	19.9	28.0
Hispanic					
1970..	-	-	-	-	-
1975........	1,446	832	295	20.4	35.5
1981........	2,052	1,144	342	16.7	29.9

- Not Available.

Note: Hispanics may be of any race.

Source: U.S. Department of Commerce, Current Population Reports, "School Enrollment-Social and Economic Characteristics of Students," Series P-20, Nos. 222, 303, 362. Figures for 1981 from Current Population Reports, Series P-20, No. 373 (Advance Report, October 1981), issued February 1983.

In 1983, the 102 Traditionally Black Institutions (TBI's) enrolled about one out of five black college students. Nonetheless, black enrollment trends during the 1970's and 1980's have been increasingly away from TBI's into other institutions [U.S. Department of Education, 1983, pp. 9-11].

2.2 Degree Completion

Another measurement of minority participation in American higher education is the number of students who actually complete degree programs at various levels and in what fields of study. Table 3 summarizes and compares the graduation rates for white, black and Hispanic students for 1975-76 and 1980-81 at the Bachelor's, Master's, Doctorate, and First Professional degree levels. At first perusal, the numbers show little change for the three groups at all degree levels over the six-year period. Nevertheless, when setting these figures against the rapidly growing Hispanic and black college-age pools, they suggest that these two groups are indeed under-represented at each point of graduation and have, in fact, made little or no progress since the mid-1970's.

This conclusion is confirmed by the National Longitudinal Study which found that 34 percent of white, 24 percent of black and 13 percent of Hispanic students who entered college in 1972 received their Bachelor's degree by 1976 [Astin, 1982, p. 40]. The lower retention rates for black and Hispanic students reflect, in part, a concurrent finding that, for all students, the highest withdrawal rates were in the two-year colleges, where black and Hispanic students have a high proportional enrollment. Another determination from the study was that, regardless of racial or ethnic background, students receiving financial assistance left college at a lower rate than those receiving no aid [Brown, et. al., 1980, p. 184].

Finally, from 1980-81 data collected by the U.S. Department of Education's Office of Civil Rights, the American Council on Education and the Hispanic Higher Education Coalition, a skewed pattern of black and Hispanic representation in various selected

TABLE 3

DEGREES CONFERRED BY INSTITUTIONS OF HIGHER EDUCATION IN THE 50 STATES AND D.C., BY RACIAL/ETHNIC GROUP FOR 1975-76, 1980-81

Degree	Racial/Ethnic Group	1975-76	% of Total	1980-81	% of Total
Bachelor's	White	811,599	88.4	804,469	86.4
	Black	59,122	6.4	60,533	6.5
	Hispanic[1]	17,964	2.0	21,751	2.3
	Other[2]	29,703	3.2	44,850	4.8
Master's	White	262,771	85.0	241,215	82.0
	Black	20,345	6.6	17,133	5.8
	Hispanic[1]	5,289	1.7	6,461	2.2
	Other[2]	20,848	6.7	29,373	10.0
Doctorate	White	27,434	81.2	25,908	78.8
	Black	1,213	3.6	1,265	3.8
	Hispanic[1]	396	1.2	479	1.5
	Other[2]	4,744	14.0	5,211	15.9
First Professional Degree	White	56,332	90.7	64,492	90.0
	Black	2,694	4.3	2,929	4.1
	Hispanic[1]	1,079	1.8	1,951	2.7
	Other[2]	1,980	3.2	2,314	3.2

NOTE: Excludes degrees not reported by racial/ethnic group. More than 99.5 percent of the degrees conferred at each level were reported by racial/ethnic group.

[1] May be of any race.

[2] Others include American Indian/Alaskan Native, Asian or Pacific Islander, and Nonresident Aliens.

Source: U.S. Department of Education, Office of Civil Rights, Data on Earned Degrees Conferred by Institutions of Higher Education by Race, Ethnicity and Sex, Academic Year 1980-81 and unpublished tabulations. Special tabulation prepared by the Hispanic Education Coalition for the American Council on Education.

fields of study is also evident. Education has the highest concentration of black and Hispanic graduates, while engineering and the physical sciences are at the lower end of the scale at all degree levels. This tendency may result, at least in part, to low levels of academic preparation in mathematics and science at the high school level (Astin, 1982, pp. 73-74).

2.3 Summary

These trends have important implications for American postsecondary education and for federal and state policy in this area. On the one hand, black and Hispanic Americans are among the fastest growing and poorest segments of the U.S. population. On the other hand, their progress toward achieving representation in postsecondary institutions reflective of their actual numbers has stalled, if not suffered a setback, since the mid-1970's. Minority students continue to be more likely to enroll in less selective institutions and are less likely to receive a degree if they do enroll in college.

The continuing problem of lagging minority enrollment can be explained in part by the failure of federal student assistance appropriations to keep up with inflation. College costs have risen more rapidly than maximum student aid grants for the lowest income groups. This coupled with the increasing number of people falling below the poverty line has made it doubly difficult for the poor to attend college. Because such a large proportion of the U.S. minority population is poor, the combined effects have made college attendance for minorities more difficult now than was the case five years ago. The next section examines the question of student aid in the context of how students pay for their college education.

3.0 PAYING FOR COLLEGE

> Families pay over 75 percent of the cost of college attendance. Between 1978 and 1983, the share paid by student aid declined from 24.6 percent to 23.7 percent. White students increased their use of student aid to a greater degree than did minority students. Student aid paid a smaller share of costs for black students in 1983 compared to 1978. This may account in part for the decline in the probability of college enrollment among minorities evident in the data compared to the stable probability found for white individuals.

Students use a range of resources to pay the costs of attending college. These sources include parents, the student's own income, public assistance and other private sources. A student's family carries the primary responsibility for meeting the cost of college attendance. The original purpose of federal assistance was to equalize the ability of families to pay for college by providing a subsidy for the lowest-income families. Financial aid in the form of grants and loans, in effect, reduces the price of attendance for those families who qualify for the aid. The principal Department of Education aid programs (Pell, Supplementary Educational Opportunity Grants; National Direct and Guaranteed Student Loans; and College Work Study) are designed to reduce the economic barriers for those families who otherwise could not afford to send their children to college. The programs promote equity in the availability of college to everyone.

Federal student aid policy has been undergoing significant changes over the past few years. The first change has been in the concentration of programs in the Department of Education. The demise of Social Security student benefits and the decline in the number of individuals eligible for veteran's benefits have resulted in an increased concentration of student aid dollars in the Department's programs. The second change has been the shift from grant assistance to self-help (i.e., loan and work) assistance. The most significant increase in aid over the last few years has been in the Guaranteed Student Loan Program. The third change has been an easing of income restrictions for student aid eligibility. More middle-income students are eligible for aid now than was the case in the mid-1970's. At the same time, inflation has eroded the purchasing power of the maximum grant, which has not been increased appreciably in the last ten years. This means that low-income students have suffered while middle-income students have benefited.

In 1978, $9.3 billion in federal grants went to students. That amount declined to $4.6 billion in 1983. Federal appropriations for student loans increased from $2.4 billion in 1978 to $4.3 billion in 1983. There was roughly half as much grant money and nearly twice as much loan money available to students in 1983 compared to 1978.

During this period, the real cost of college attendance increased. Families contributed more and received fewer student aid dollars relative to the cost of attendance. After adjustment for inflation, the amount of federal student aid has been declining since 1980. In 1978, federal grants and federally guaranteed loans amounted to $15.5 billion (in 1983 dollars). By 1980, this aid equaled $19.6 billion and then declined to an estimated $13.1 billion for 1983. The amount of federal aid available in fall 1983 was 15.5 percent less than that available in 1978.

3.1 Student Aid

Minority families are less likely to be able to pay for a college education than are majority families. As indicated in in Section 2.0 of this paper, black and Hispanic families have lower incomes than do white families. Consequently, black and Hispanic students must depend on financial aid to a greater degree than do white students to finance their college education.

Black and Hispanic students receive more student aid, on average, than do white students. In the fall of 1983, the sum of grants and loans used by black students averaged $1,854; the amount used by Hispanic students averaged $1,554; and the amount used by white students averaged $1,260. These values are presented in Table 4. Since eligibility for most student aid is based on family income, these data, calculated from responses made by first-time, full-time freshmen in the annual Freshman Norms sample of the Cooperative Institutional Research Program (CIRP) [Astin, et. al., 1984], are consistent with the general pattern of black families having the lowest average incomes and Hispanic families having incomes intermediate to black and white families.

The inflation-adjusted trend in student aid per student since 1978 shows full-time freshmen received 6.4 percent more aid in 1983 than they did in 1978 (Table 4). Aid to white students increased by 7.9 percent, and to Hispanic students by 6.4 percent. In contrast, black student aid decreased by 4.7 percent. The wealthiest population enjoyed the largest increases, while the poorest had their aid reduced. All sources of grants and loans are included in this analysis. The College Work Study program is not included, however, as it is more properly a subsidy for institutions than for students. Students must earn this money through work.

The evidence suggests that all students are more dependent now on financial aid programs managed by the Department of Education than they were in 1978. In 1978, the Department provided 61.0 percent of all non-family financial assistance. By 1983, the departmental share had increased by 12.4 percent to 73.4 percent. White students reported being 13.3 percent more dependent on this source of aid, while black and Hispanic students reported only 6.4 percent and 4.5 percent greater dependency, respectively. This suggests that white students have increased their share of Department of Education student aid more rapidly than minority students. As a result, the difference in dependency between white and black students, the highest- and lowest-income students, decreased between 1978 and 1983.

In general, the share of student aid provided by the Department of Education was higher at lower-cost schools than at

TABLE 4

ADJUSTED STUDENT AID
BY RACE, HISPANIC AND TYPE AND CONTROL
1978, 1983

	1978	1983	% Change 1978-1983
All Schools			
White	$1,168	$1,260	+ 7.9%
Black	1,945	1,854	- 4.7
Hispanic	1,464	1,554	+ 6.1
Total	1,238	1,317	+ 6.4
2-Year Public			
White	943	967	+ 2.5
Black	1,074	1,125	+ 4.7
Hispanic	870	752	-13.6
Total	950	968	+ 1.9
4-Year Public			
White	878	934	+ 6.4
Black	1,779	1,654	- 7.0
Hispanic	1,275	1,301	+ 2.0
Total	970	1,026	+ 5.8
All Private			
White	2,032	2,348	+15.6
Black	2,844	2,790	- 1.9
Hispanic	3,238	3,092	- 4.5
Total	2,147	2,421	+12.8

Source: CIRP; 1978, 1983

higher-cost schools. Two-year schools were least able to provide institutional aid. Almost 80 percent of the aid used by two-year public school students came from the Department. Approximately 65 percent of the aid used at private schools came from departmental programs.

The income tests used in determining eligibility for student aid ensure that lower-income students, generally those with the greater need, receive more assistance than do higher-income students. The data confirm the greater dependence of lower-income students on student aid. That white students increased their proportionate utilization of student aid while black students decreased their usage suggests that student aid programs were less equitable in 1983 than they were in 1978. Expansion of departmental program eligibility to higher-income students without a corresponding increase in funding and raising of maximum award size has diluted the capacity of these programs to maintain the level of support lower-income students received prior to the eligibility changes.

3.2 Current Net Price

Department of Education aid is provided as means of encouraging the offspring of lower-income families to attend college. That aid should reduce the economic burden on these families.

One way to assess the equity of federal student aid and programs is to note changes in the current net price faced by families. Current net price is the cost of college to the family after the price has been reduced through use of grants or loans, that is, the family contribution. In short, it is the current out-of-pocket cost of sending an offspring to college. Equity is achieved when lower-income families pay proportionately less than do higher-income families to send their children to college. Public funds replace the support which is not available from the family.

Increases have been evident across the board: in cost, aid and family contribution. Cost has increased the most, followed by family contribution. Aid has increased the least. CIRP data for 1978 and 1983 indicate that the families of white students contributed more to their children's education than did Hispanic families, who, in turn, contributed more than did black families. This finding is reflected in Table 5. Again, as in the case of financial aid, this is the expected result based on the general income distribution of the three groups.

However, it should be noted that the increase in the amount contributed by families between 1978 and 1983 exceeded the increase in the average financial aid award. Thus, while the amount of aid increased by 6.4 percent, family contribution increased by 11.8 percent. In 1978, families contributed an average of $3,793 (expressed in 1983 dollars). By 1983, they contributed $4,240. The contribution of black families remained unchanged ($3,255 in 1978, $3,283 in 1983). The average contribution of white families increased by 12.2 percent from $3,847 to $4,317 between the two years. The contribution of Hispanic families grew by the largest amount, from $3,337 to $4,056, up 21.5 percent between 1978 and 1983.

With student aid and family contribution increasing between 1978 and 1983, albeit at different rates, the average cost of education rose by 10.5 percent, from an inflation-adjusted $5,031 in 1978 to $5,557 in 1983. Hispanic students experienced the largest cost increase (+16.5 percent), while black students experienced little change (-1.2 percent). Costs for white students were up by 11.2 percent.

The cost of college after student aid (i.e., net price) increased nearly 12 percent between 1978 and 1983 (after correction for inflation--see Table 5). Hispanic students experienced the largest increase and black students, the smallest. Hispanic students are going to more expensive schools, on average, while black institutional enrollment trends are changing very little. White students are attending higher cost schools than either of the minority groups. These findings suggest that college choice has improved for white and Hispanic students, but there has been little change in choice of

TABLE 5

ADJUSTED CURRENT NET PRICE
BY RACE, HISPANIC AND TYPE AND CONTROL
1978, 1983

	1978	1983	% Change 1978-1983
All Schools			
White	$3,847	$4,317	+12.2%
Black	3,255	3,283	+ 0.9
Hispanic	3,337	4,056	+21.5
Total	3,793	4,240	+11.8
2-Year Public			
White	2,892	3,497	+20.9
Black	2,722	2,865	+ 5.3
Hispanic	2,910	2,780	- 4.5
Total	2,882	3,452	+19.8
4-Year Public			
White	3,577	3,715	+ 3.9
Black	2,657	2,722	+ 2.4
Hispanic	2,976	3,610	+21.3
Total	3,478	3,595	+ 3.4
All Private			
White	5,438	6,223	+14.4
Black	4,487	4,475	- 0.3
Hispanic	4,224	5,473	+29.6
Total	5,309	6,072	+14.4

Source: CIRP; 1978, 1983

institutions for black students, who tend to have the lowest family income among the three groups.

The shifting patterns of student aid have resulted in increased assistance to white and Hispanic students and reduced aid to black students. This shift is due to increasing reliance on loan assistance by middle-income students with little increase in funds for grant assistance which benefits the lowest-income students. The relative income of the three groups is the basic explanation for these outcomes. One possible effect of this policy has been to enable white and Hispanic students to attend more expensive schools, while black students have not had the same options to do so.

3.3 Participation Rates

Higher-income families have always been more likely to send their offspring to college than have lower-income families. It is expected that if the cost of college attendance is reduced by student aid, there should be an increase in the proportion of the college-eligible population going to college. If, on the other hand, the current net price of education rises, fewer families should be able to send their children to college. This notion may be tested through analysis of college-going participation rates. The participation rate is the ratio of those individuals who are attending college over their corresponding college-eligible subpopulation. Equity is achieved when lower-income individuals enroll in college in proportions similar to the enrollment rate of higher-income individuals. The Census Bureau's October Current Population Survey (CPS) is the source for the participation rate data. The picture that emerges from the CPS data confirms the previously suggested notion that it is more difficult economically to go to college now than it was in 1978.

Table 6 reports the proportion of eligible individuals, aged 18-24, who attended college in 1978 and 1982 on an FTE basis. Because of constraints in the data, it is not possible to report the participation rates for older age groups at this time.

TABLE 6

FTE PARTICIPATION RATES FOR SUBPOPULATIONS FOR THE COLLEGE-ELIGIBLE AGE 18-24 POPULATION BY FAMILY INCOME AND TOTALS BY TYPE & CONTROL 1978, 1982

(Percentage)

	WHITE			BLACK			HISPANIC			TOTAL		
	1978	1982	% Change 1978-82	1978	1982	% Change 1978-82	1978	1982	% Change 1978-82	1978	1982	% Change 1978-82
All Schools												
Family Income under $10,000	27.6	25.8	- 6.5	32.7	22.7	-30.6	23.5	26.7	+13.6	30.3	25.2	-16.8
$10,000-$19,999	36.8	32.0	-13.0	32.3	32.2	- 0.3	34.2	26.9	-21.1	36.0	32.9	- 8.6
$20,000-$29,000	36.1	36.8	+ 1.9	34.5	35.7	+ 3.5	32.3	32.9	+ 1.9	36.3	37.3	+ 2.8
$30,000-Plus	49.8	51.8	+ 4.0	46.7	44.6	- 4.5	47.8	40.6	-15.1	49.9	51.7	+ 3.6
All Dependent	43.2	42.9	- 0.7	35.6	31.5	-11.5	32.2	31.2	- 3.1	42.4	41.7	- 1.7
Independent	10.9	12.5	+14.7	12.4	10.9	-12.1	12.3	11.7	- 4.9	11.4	12.8	+12.3
All Students	28.1	30.1	+ 7.1	27.0	24.0	-10.0	21.7	23.9	+10.1	28.4	29.9	+ 5.3
At 2-Year Public	5.8	7.2	+24.1	6.6	5.5	-16.7	7.0	9.3	+32.9	6.0	7.2	+20.0
At 4-Year Public	15.0	15.7	+ 4.7	15.5	13.6	-12.3	10.1	9.5	- 5.9	15.3	15.7	+ 2.6
At All Private	7.3	7.2	- 1.4	5.7	5.8	+ 1.8	4.1	4.5	+ 9.8	7.1	7.1	-

Source: CPS; 1978, 1982.

Participation rates generally increase as family income increases. Approximately half of the individuals from families with income over $30,000 attend college. Only a quarter to a third of the individuals from families under $10,000 attend college. Overall, there was little change in participation rates between the two years. In 1978, 28.4 percent of high school graduates who had not graduated from college were attending the first four years of college. The proportion increased to 29.9 percent by 1982.

However, the disparity in participation rates between higher- and lower-income groups was more pronounced in 1982 than it was in 1978. Families with under-$20,000 incomes were less likely to send their children to college in 1982 than in 1978, while higher-income families became more likely to send their children to college.

In 1982, white individuals aged 18-24 were more likely to be in college than was the case in 1978. A similar trend exists for Hispanic individuals over this period. Black participation rates, however, actually declined between 1978 and 1982. In 1982, the least likely to be in college were Hispanic individuals, with the probability for black enrollment slightly higher. White individuals continued to be the most likely to go to college.

Among the population aged 18-24 who were dependent on their parents for financial support, a slightly lower proportion were enrolled in 1982 than were enrolled in 1978. That is, 41.7 percent of the college-eligible population aged 18-24 was enrolled in 1982, a 1.7 percent decline from the 42.4 percent who were enrolled in 1978. Participation rates of the non-minority population changed little over the period, from 43.2 percent to 42.9 percent. Hispanic participation rates declined from 31.6 percent to 31.2 percent. Black participation rates dropped most sharply from 35.6 percent to 31.5 percent.

Enrollment of independent individuals aged 18-24 increased 12.3 percent between 1978 and 1982. This percentage rise is accounted for by the increase in white independent students, as the enrollment of both Hispanic and black independent individuals declined between these years.

It is helpful to compare participation rates by three institutional sectors: two-year public, private, and public four-year schools. There was a strong increase in the participation rates of students going to two-year public schools between 1978 and 1982. In contrast, the proportion of students attending private colleges did not change. At the same time, there was a modest increase in the proportion of students going to four-year public colleges. Since 1978, most of the relative growth in student enrollment has been the lowest cost, public two-year sector.

These participation rate findings are consistent with the results obtained from the analysis of how college costs are met. The data show a greater family financial burden associated with college attendance in 1983 than in 1978. This burden was relatively greater for minority families than for white families. The participation rate data for dependent individuals, who more closely resemble the first-time, full-time freshmen respondents in the CIRP data, indicate that a smaller proportion of this subpopulation attended college in 1982 than in 1978, with the biggest declines evident among the generally lower-income minority groups. While there are many reasons for going or not going to college, this analysis is consistent with the purely economic argument that a college education is becoming more expensive and that lower-income individuals, among whom the black and Hispanic college-eligible population is concentrated, need more financial and educational assistance to overcome the barriers to a college education.

4.0 CONCLUSION

> **This study suggests enrollment in college was more difficult to achieve in 1983 than in 1978. Further research is necessary to determine if students are trading down from more to less expensive schools and from enrollment to non-enrollment. That appears to be the most logical explanation from results obtained here on the increasing family burden, shrinking contribution of student aid and the decreasing probability of enrollment for lower-income students. The apparent decline in equity in the distribution of student aid may be keeping minority members of the population from being able to attend college.**

The evidence that is presented in this paper is consistent with the hypothesis that lower-income students are finding it more difficult to attend college. Costs of attendance are increasing even after student aid is taken into consideration. Student aid going to the lowest-income groups in our society has not kept pace with inflation. Assistance going to middle-income students has increased.

The result appears to be that individuals are more likely to go to lower-cost schools, reflected by the increase in the enrollment share going to two-year public schools. The other and perhaps more distressing conclusion is that the lowest-income groups in the U.S. are less likely to go to college now than in 1978. The erosion of participation rates is most noticeable for the black population, the group with the lowest median income of the three groups analyzed here.

As black college participation rates have declined, Hispanic participation rates have increased. Even though the Hispanic college-going rate still lags behind the black rate, the difference is only slightly more than one percent. There has been an increase in Hispanic enrollment in both two-year and four-year schools, while black participation rates have declined in all sectors.

The groups showing an increase in participation rates are those students from families with over-$30,000 annual income and independent students. In both cases, the increase is accounted for by increases among white students, which offset the declines among Hispanic and black students.

There appears to be less equity today than there was in 1978. Students from higher-income families are more likely to go to college than they were in 1978 and students from lower-income families are less likely to attend.

The changes in participation rates are only partially attributable to federal student aid policy. The residual effect of inflation followed by unemployment-reduced income, especially for lower-income groups, is another factor. Not analyzed here are other factors that influence the college-going decision. However, given the increasing proportion of minorities in the college-age group, minority enrollment would have to increase just to sustain a constant participation rate.

The evidence points to the need for increasing student financial assistance, especially grant aid, aimed at the lowest-income population. This renewal of the nation's commitment to help provide access to college for the poor looms as an increasingly important goal as the young minority population becomes a more significant factor in America's future.

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APPENDIX A

STUDENT AID ANALYSIS METHODOLOGY

This appendix provides greater detail on the data sources and methodology used in Section 3.0 of this study.

Data Sources

The Cooperative Institutional Research Program (CIRP) of UCLA annually samples first-time, full-time freshmen to determine, among other questions, their sources of support. This survey is the only means available for assessing this question. Unfortunately, CIRP data require careful interpretation because of methodological limitations of the survey. Except for the case of the traditionally black schools, no attempt is made to weight the sample by the minority status of respondents. Secondly, a low participation rate in CIRP by two-year colleges results in responses from these schools being weighted rather heavily. Furthermore, Hispanic-origin students are represented in the survey only by those who claim Puerto Rican or Mexican heritage. Other Hispanic-origin students are grouped with Asian and other heritage students. There is great diversity within this population. The cumulative effect of these limitations is under-representation of black students, and more significantly, Hispanic students in CIRP. Consequently, the data reported here are presented only as an indication of how minority students pay for college. More definitive research is needed on this question.

Data on the proportion of college-eligible individuals who attend college by family income level and origin are available from the October surveys of the Census Bureau. Believed to be more reliable as a source of information on minority students than CIRP, the Census October survey tends to undercount enrollment at two-year schools. This is more applicable for earlier years than for more recent years. However, the proportions of individuals reported here appear to be consistent with information collected by other means. The analyses conducted on how students pay for college and the proportions of various subpopulations enrolled in college attempt to minimize the effects of these limitations.

Methodology

Students report in CIRP the support they receive from 18 different sources. These include own savings, in-school earnings (including CWS), spouses, federal, state, institutional and private (non-family) funds. Students also specify an amount as being the family contribution.

The family contribution amount reported by students is considered the least reliable figure. Much of a family's contribution to the cost of college may be an in-kind contribution, e.g., housing, food, clothing. Students are least likely to be able to judge the value of the family contribution. They are more likely to know what they have earned and saved. In addition, student aid is a subject of correspondence, making it likely that the student will know the amounts involved. No such corroboration exists for the family contribution amount.

Consequently, this analysis used an imputed figure for the family contribution, the current net price. That is, the current net price is taken as the remainder after all grants and loans are subtracted from the institutionally-reported cost of attendance. This operational definition may result in overstatement of the family's actual contribution. However, the imputed current net price is thought to be generally more accurate than are the student reports.

Cost of attendance is reported on the Department of Education-issued public use tape. The cost figure is imputed based on average costs developed by the College Scholarship Service (CSS). The cost reported for each survey respondent is the average cost calculated by CSS for that type of student (dependent or independent; resident, commuter or living at home) at the student's institution. Non-resident students are credited with a fixed cost of living even though they may pay nothing for room and board. This tends to raise the reported cost of education. Nevertheless, it is consistent with the practice followed by the Department in setting individual aid awards. In any case, students' actual costs may vary considerable around the reported average cost.

Current net price is a measure directly related to the standards the Department uses in determining student eligibility for student aid. Aid awards are a function of the family's ability to pay and the cost of education.

The data on current net price are reported in calculated dollars related to the average student in an income class. This was done in a three-step procedure. First, students were classified according to their CPI-adjusted family income stated in 1983 dollars. At this point, the cost of education and amount of support reported on each student record was also adjusted to reflect inflation. Second, the current net price was calculated for each student record. These products were aggregated to determine the mean net price. This step yielded, for each income class, the net price to the family unit as a whole.

Statement of net price as a percentage of cost can be difficult to interpret as the pattern of education costs differ for families at different income levels. As a result of this difference, a third step was taken. The percentage of costs calculated in the second step was recalculated into dollar terms. This last step allows presentation of the data in a manner that reflects simultaneously a family's ability to pay and the cost of their child's education.

Other investigations using CIRP data for 1978 and 1983 as well as other years suggest that family income is related to the family burden (Lee, 1983). That is, higher-income students tend to go to higher-priced schools than do lower-income students. Further, since grants and loans generally are distributed on the basis of family income, the remaining net price should show changes more than proportional to income changes. The CIRP by-income data has an insufficient number of respondents in each income level cell for Hispanics to be used in analyzing this question. However, to a limited degree, race and Hispanic-origin can be used as a proxy for family income levels based on the income distributions of these subpopulations. It can be assumed that aggregations of white, Hispanic and black students will generally have average family incomes with the white students being wealthier than Hispanic students and with black students having the lowest family income.

APPENDIX B

SUPPORTING TABLES

TABLE B-1

WHITE, BLACK AND SPANISH ORIGIN POPULATION IN U.S. BY REGION AND STATE

For 1980, in Thousands

Region and State	White	Black	Spanish Origin
Total	188,372	26,495	14,609
Regions			
Northeast	42,326	4,848	2,604
North Central	52,195	5,337	1,277
South	58,960	14,048	4,474
West	34,890	2,262	6,254
States			
Alabama	2,873	996	33
Alaska	310	14	10
Arizona	2,241	75	441
Arkansas	1,890	374	18
California	18,031	1,819	4,544
Colorado	2,571	102	340
Connecticut	2,799	217	124
Delaware	488	96	10
Dist. of Columbia	172	449	18
Florida	8,185	1,343	858
Georgia	3,947	1,465	61
Hawaii	319	17	71
Idaho	902	3	37
Illinois	9,233	1,675	636
Indiana	5,004	415	87
Iowa	2,839	42	26
Kansas	2,168	126	63
Kentucky	3,379	259	27
Louisiana	2,912	1,238	99
Maine	1,110	3	5
Maryland	3,159	958	65
Massachusetts	5,363	221	141
Michigan	7,872	1,199	162
Minnesota	3,936	53	32
Mississippi	1,615	887	25
Missouri	4,346	514	52
Montana	740	2	10
Nebraska	1,490	48	28
Nevada	700	51	54
New Hampshire	910	4	6
New Jersey	6,127	925	492
New Mexico	978	24	477
New York	13,961	2,402	1,659
North Carolina	4,458	1,319	57
North Dakota	626	3	4
Ohio	9,597	1,077	120
Oklahoma	2,598	205	57
Oregon	2,491	37	66
Pennsylvania	10,652	1,047	154
Rhode Island	897	28	20
South Carolina	2,147	949	33
South Dakota	640	2	4
Tennessee	3,835	726	34
Texas	11,198	1,710	2,986
Utah	1,383	9	60
Vermont	507	1	3
Virginia	4,230	1,009	80
Washington	3,779	106	120
West Virginia	1,875	65	13
Wisconsin	4,443	183	63
Wyoming	446	3	24

Source: U.S. Bureau of the Census, 1980 Census of Population, Vol. 1, Chapter B.

TABLE B-2

MEDIAN FAMILY INCOME IN CONSTANT 1982 DOLLARS BY RACE AND SPANISH ORIGIN 1972-1982

Year	Spanish Origin	Black	White	Spanish Origin Family Income as Percent of White Income	Black Family Income as Percent of White Income
1972	$8,183	$6,864	$11,549	71%	59%
1973	8,715	7,269	12,595	69	58
1974	9,540	8,006	13,408	71	60
1975	9,551	8,779	14,268	67	62
1976	10,259	9,242	15,537	66	59
1977	11,421	9,563	16,740	68	57
1978	12,566	10,879	18,368	68	59
1979	14,169	11,574	20,439	71	57
1980	14,716	12,674	21,904	67	58
1981	16,401	13,266	23,517	70	56
1982	16,227	13,598	24,603	66	55

Source: U.S. Bureau of the Census, *Statistical Abstract of the United States, 1984*, Table No. 763, p. 463.

STUDENT AID AND PUBLIC HIGHER EDUCATION

RECENT CHANGES

by

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with assistance from
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The American Council on Education
The American Association of Community and Junior Colleges
The American Association of State Colleges and Universities
The National Association of State Universities and Grant Colleges

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1. Summary

The first and most important focus of this study is changes in the distribution and amounts of financial assistance for students attending public colleges and universities between academic years 1981-82 and 1983-84, an important transition period for student aid. Cross-comparisons of important variables are made--such as types of aid recipients, forms of aid, sources of support and geographical and institutional distributions of aid--on the basis of student aid recipient data bases developed for each of these years. The initial data base (1981-82) employed a stratified random sample of 226 institutions and, from within those institutions, 11,970 randomly selected student aid recipient records. The second data base (1983-84) employed a statified random sample of 216 institutions and 10,200 randomly selected aid recipient records. Analyses of these data provide detailed descriptions of the aid distribution system and answer questions such as the following: Who receives aid? How much and from what sources? How have these patterns changed?

A secondary but nevertheless important focus of the study is the manner in which different types of students attending public colleges and universities finance their higher educations, particularly as it involves student aid. Data supporting this part of the analysis derive from the two previously described data bases augmented by four state student resource and expenditures surveys (Arizona, California, New York and Wisconsin). Questions asked of these data are: Where do aid recipients and non-aid recipients obtain resources for college attendance? How do the expenditure patterns and personal characteristics of aid recipients differ from students who do not receive aid?

Both parts of this study are based on sample survey data. The public higher education student aid recipient data base surveyed archival records of institutions, and the state resource and expenditures data surveyed students directly (except where supplemented by archival data in the New York data). In either case, using institutional records or student self-report, changes in student aid produce only estimates based on survey data and may vary from actual conditions. Estimates of the error associated with those surveys will be presented later.

Findings Concerning Student Aid in Public Higher Education

A previous study of the 1981-82 public higher education student aid recipient data base (Stampen, 1983) concluded that:

> Student aid programs do what they were originally intended to do. They distribute dollars - mostly federal - to students who would otherwise have difficulty financing a college education. In doing so they promote vertical equity, that is they make higher education affordable to those least able to pay.

Analysis of 1983-84 data continues to support this conclusion. Despite changes in the distribution and amounts to students attending public colleges and universities--and despite an estimated 7 percent decline in student aid dollars in public higher education--student aid continues to be mainly targeted on low income students. Both data bases show that more than 85 percent of all aid recipients have family or personal incomes below a level approximating the national median income for families of four. Also, roughly half of all aid recipients (as they did in 1981-1982) have incomes at or below levels defining poverty for families of four.

Other findings of interest include:

1. The characteristics of student aid recipients have changed somewhat. Between 1981-82 and 1983-84, the total number of aid recipients in public higher education declined 2.3 percent, but the proportion of aid recipients who were members of minority groups declined substantially more sharply, by 12.4 percent (from 609,303 to 533,596 students). Overall, aid recipients tended to be increasingly white, older, independent, married, and attending part time. Proportions of males (45 percent) and undergraduates (97 percent) among student aid recipients remained unchanged.
2. Changes have occurred in the proportions of students falling into various student aid recipient classifications. Those qualifying for aid from at least one federal, state, or institutional program according to the most stringent needs analysis standards (Pell or Uniform Methodology)--here defined as AID-1 recipients--increased from 72.0 percent of all aid recipients in 1981-82 to 75.9 percent in 1983-84. Those qualifying for aid according to the Guaranteed Student Loan program's needs analysis standards, but not receiving aid from any AID-1 programs--here defined as AID-2 recipients--declined from 19.4 percent of all recipients in 1981-82 to 14.0 percent in 1983-84. Students receiving aid not based on financial need increased from 8.7 to 10.7 percent of all recipients.

3. Total student aid dollars for students attending public colleges and universities declined from roughly $7.2 to $6.7 billion. Accompanying this decline, the total number of aid recipients declined slightly from 2.9 to 2.8 million although overall enrollments remained stable at 9.7 million. Aid recipients as a percentage of total enrollment remained close to the 30 percent figure reported in 1981-82. A look at student aid dollars by source indicates that federal aid declined most, roughly $300 million (from a base of $5.7 billion in 1981-82). The next largest decline, $173 million, occurred in institutional student aid (from a base of $686 million in 1981-82). Over the same period state supported student aid increased $27 million (from a base of $571 million), and aid from all private sources increased $5 million (from a base of $233 million).
4. Students from the lowest income backgrounds as in 1981-82 tended to receive aid mainly in the form of grants; students from higher income backgrounds relied mostly on loans. Lower income students were also most likely to attend those public institutions charging the lowest tuitions. Grants awarded on the basis of financial need continued to outnumber any other type of assistance for students. The number of need-based grants declined modestly, by 5.5 percent. At the same time non-need-based grants, awarded mainly on the basis of scholastic merit, increased sharply, by 32.6 percent. In spite of the change, however, the vast majority of grants continued to be need-based. The scheduled phase out of Social Security education benefits (by 1985) was also reflected in the

data, declining by 70.8 percent.

5. The number of loans increased by about 50,000 over the 1.65 million awarded in 1981-82. For students relying only on loans average amounts borrowed declined. But for students relying on a combination of grants and loans (who were slightly less numerous than in 1981-82) there was a slight increase in average amounts borrowed. Changes in patterns of borrowing were undoubtedly influenced by changes in the Guaranteed Student Loan program, which became a need-based program between the two years studied, although under standards less stringent than those governing other need-based programs.
6. For students receiving aid according to the Pell and Uniform Methodology standards (i.e., AID-1 recipients) average amounts of aid increased by roughly the same amount as tuition. Average awards and tuition increased by about $150 per student, but lagged behind increases in the total cost of attendance (which were about $300 per student). A different pattern prevailed for students relying primarily on loans (AID-2 recipients). For them, total aid declined by amounts ranging between $200 and $300 per student.

Findings Concerning How Students Pay for College

The public higher education data bases provide a great deal of information about the distribution of aid and various ways that aid recipients finance their college educations. However, by themselves they cannot tell us how aid recipients differ from other students (i.e., personal characteristics, expenditure patterns, and resources for financing college attendance). In order to shed light on these issues, we also used student resource and expenditure surveys compiled in four states: Arizona, California, New York and Wisconsin. Since these data are not directly comparable, comparison can pose methodological risks. However, an analysis of the four state data bases (Stampen and Fenske, 1984) revealed dramatic similarities among the four states, and where data overlap the national data bases, the following comparisons can be made with relative confidence.

1. Students enrolled in public colleges and universities who are AID-1 recipients have average incomes half as large as those who do not receive any financial aid ($15,000 versus $32,400, respectively). Average incomes of students mainly receiving loans (AID-2) or aid not based on demonstrated financial need (AID-3) are lower than those of non-aid recipients, but not as low as the AID-1 recipients.

   Students who are members of minority groups and female students are most often found in the AID-1 category. In particular, minority group students are more than twice as likely as others to be AID-1 recipients. Single students (including widowed, divorced, and separated students) account for more than eight out of ten students in all aid recipient categories. Also, more than half of all students consider themselves dependent on their parents for financial support.

2. All types of students (whether aided or not) pay similar amounts to attend public colleges and universities. There are only minor variations in expenditures for tuition and fees, books and supplies, room and board, transportation, and personal items.

3. There are marked differences in the ways that various types of students obtain resources for financing college education. In descending order: AID-1 recipients rely on grants, loans, personal resources, work and parents. AID-2 recipients rely on loans, personal resources, work, grants, and parents. AID-3 recipients rely on parents, work, grants, personal resources, and loans; non-aided students (by definition excluded from grants and loans) rely on parents, personal resources, and work.
4. High proportions of students work while attending college. Three of the four state data bases (California, New York, and Wisconsin) contain percentages of students employed during the school year and during the summer months. Across nearly all categories of students, more than half were employed during the school year and more than three-quarters during the summer months. Also, very high proportions of AID-1 recipients (ranging between 61 and 84 percent) worked during the school year.
5. Aided and non-aided students do not appear to differ in terms of academic preparation and grade point average, although data representing two states comprise too small a sample to warrant firm overall conclusions. Two of the four state surveys, Wisconsin and California, included questions about either high school class rank or college grade point averages. At the University of Wisconsin-Madison more than eight out of ten students of all types reported ranking in the top third of their high school graduating classes. The California survey included

students attending public two-year, four-year and research institutions. At every level and for every category of students from AID-1 to the non-aided, the grade point average was roughly the same.

Conclusions

Student aid continues to be targeted primarily on students from low income backgrounds. In this respect few changes have occurred since 1981-82. However, incremental steps seem to be leading away from this standard. Overall, average incomes of aid recipients appear to be increasing and the type of aid relied most heavily upon by students in the lowest income categories (grants) appears to be declining. Also, there have been sharp declines in aid recipients who are members of minority groups, an important population in past efforts to promote higher education opportunity. This trend deserves close scrutiny by policy makers and the higher education community.

The state surveys indicate that AID-1 recipients' average income is half as large as that of non-aided students; yet all students pay roughly equal amounts to attend college. Thus, it appears that student aid is serving its intended purpose of lessening income barriers in order to increase opportunities to attend higher education for those least able to pay. The data also suggest that aid is not so abundant as to discourage large percentages of aid recipients from working both during and between school years in order to finance college attendance. The data also suggest that aid recipients are as likely to maintain satisfactory academic progress as other students. Thus, the principal difference between aid recipients and non-aid recipients appears to be prior economic condition, a factor difficult to correct through mechanisms other than student aid.

2. BACKGROUND, DATA, AND ORGANIZATION OF FINDINGS

This study analyzes changes in financial assistance for students attending public colleges and universities between 1981-82 and 1983-84. This time span, though short, represents a potential turning point in the history of student aid. Between President Johnson's "War on Poverty" in 1964--which initiated federal student aid aimed at removing financial barriers to higher education access--and the Carter years, student aid experienced rapid growth and development. The year 1981-82, the last year when Carter Administration policies were in effect, provides a measure of what had been achieved. When President Reagan came into office student aid, as well as the federal government's role more generally in providing aid for all levels of education, became a much debated issue.

Background to the Study

Between 1970-71, when reporting on student aid programs became a routine activity, and 1983-84, federal and state grants awarded on the basis of financial need (in constant 1982 dollars) grew from $.9 billion to $3.7 billion. Overall, governmental investment in student aid for higher education increased from $8.6 billion to $13.0 billion (also in constant dollars) and need-based aid as a percentage of total aid increased from 52.5 percent to 89.1 percent. (Gillespie and Carlson, 1983, 1985).

The preceding figures show that student aid has played an important role in financing higher education for a substantial period and that over time there has been a clear trend toward increasing aid on the basis of financial need. But what are some of the impacts of this aid and how have student aid programs changed during the first half of the present decade? What proportion of total enrollment receive aid and how has this proportion changed in recent years? What are the characteristics of various kinds of programs and how are they employed to help various kinds of students finance college attendance? Also, how do aid recipients compare with those students who do not receive aid? Is there evidence indicating the extent to which need-based student aid is achieving its intended purpose of promoting educational opportunity and social mobility for students from economically disadvantaged backgrounds?

During the summer of 1981, the lack of integrated information with which to examine these questions motivated three national associations representing public colleges and universities--the American Association of Community and Junior Colleges, the American Association of State Colleges and Universities, and the National Association of State Universities and Land Grant Colleges--to jointly seek funds from the Ford and Exxon Education foundations for the development of a student aid recipient data bank representing public higher education. These foundations also sponsored development of an analogous data bank representing private colleges and universities.* In 1983-84 development of a second student aid recipient data bank representing both public and private higher education received financial support from the Ford Foundation through a grant to the American Council on Education.

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*The public higher education data bases are closely similar to those developed for private higher education. In fact, the public data bases employ a model originally developed and tested by the National Institute of Independent Colleges and Universities (NIICU). Essentially identical institutional and student questionnaires were used and both studies employed the same sampling techniques. Efforts have also been made to closely coordinate data base construction across both sectors of higher education.

This study provides a broad overview of student aid for public higher education in the United States and describes recent changes, as reflected in the first and second waves of the public higher education survey. Specifically, this study focuses on student aid recipients attending public two-year colleges, liberal arts colleges, comprehensive colleges and universities, public research universities and degree granting institutions with special missions (see Appendix E for a listing of participating schools).

We wish to emphasize that the most important products of our study are data bases themselves, which can be used to answer many questions other than the ones explored here. We expect others to ask additional questions, some of them difficult, and we expect the data bases, in consequence, to be continuously improved as they are used to answer new questions. Accordingly, copies of the data bases, altered only to the extent of protecting the identity of participating institutions, are accessible through the American Council on Education.

The Data

The principal sources of information for this effort are two public higher education student aid recipient data bases representing the academic years 1981-82 and 1983-84. These are augmented by recent student resource and expenditure surveys developed in four states (Arizona, California, New York and Wisconsin), to enable comparisons between aided and non-aided students to be made.

The two public higher education student aid recipient data bases are unique compared to other sources of information about student aid in that they integrate all forms of aid known to institutional student aid officers, and include federal, state, institutional and privately supported programs. Because of this integration, it is possible for the first time to generate unduplicated counts of aid recipients receiving varying combinations of grants, loans, and work-study assistance and to identify patterns in the packaging of student aid over time.

As with the 1981-82 study, the 1983-84 study is designed to show the distribution of student aid across a variety of groups characterized by dependency status, academic level, registration status, minority group membership, marital status, sex and income categories, institutional type, and geographic region. These disaggregations are further divided into four mutually exclusive categories of student aid recipients: (a) AID-1 (students receiving aid from at least one federal, state, or institutional program on the basis of stringent needs analysis tests, i.e., the Pell or Uniform Methodology), (b) AID-2 (students receiving aid under less stringent Guaranteed Student Loan needs analysis standards but not from the programs under AID-1), (c) AID-3 (students receiving aid only from programs without needs tests), and (d) N-AID (students not receiving student aid at the time the surveys were administered).

The four state data bases are the result of independent surveys undertaken in Arizona, California, New York, and Wisconsin. Although not strictly comparable either to one another or to the two nationally representative data bases, they do include similar variables (student financial aid, demographic, and institutional), which can be used to construct aid recipient categories similar to those employed in the national data bases (i.e., AID-1, AID-2 and AID-3). In addition, they provide information on students who receive no aid (N-AID), thus allowing comparisons between aided and non-aided students.

The 1983-84 Public Higher Education Student Aid Recipient Data Base was constructed from a population of 1,957 public higher education institutions with enrollments of 500 or more. Following Arthur Kirsch's sampling methodology a stratified random sample was drawn representing five institutional types (research, comprehensive, liberal arts, two-year and special) and five geographical regions (North Central, Mid-Atlantic, North East, Southwest, and West). Of the 270 institutions initially contacted, 216 or 80 percent agreed to participate, down slightly from the 1981-82 agreement rate of 84 percent. A 33 percent overlap in participating schools between the 1981-82 and 1983-84 data base was obtained to provide a longitudinal subsample of schools.

Student Financial Aid Officers at participating institutions were instructed to draw a 1 in 40 random sample of all student aid recipient files from which information was used to complete "Student Aid Recipient Surveys." One survey was completed for each student record in the sample. The final data base contained 10,200 records compared to 11,970 in 1981-82. Following Arthur Kirsch's model, weights were applied so that the sample records were characteristic of the underlying population of 2.8 million students. Each weighted student record represented approximately 250 students.Consequently, proportions hereby reported constitute projections. It must also be pointed out that the sample design produced small standard errors for each relevant population parameter. Although not reported, the standard errors of the estimates used in the sample size of 10,200 records were less than 1/100.

The Arizona study was a mail survey of 1,694 students from 36 post-secondary institutions in four sectors (public colleges and universities, private non-profit colleges, community colleges and proprietary institutions) for the 1983-84 academic year. A probability sample was used and the overall response rate to the mail survey was 35.4 percent (Erbschloe and Fenske, 1984). The California survey obtained data by mail from 29,000 students for the 1981-82 academic year with a response rate of 36.3 percent (Hills and Van Dusen, 1982). The New York survey obtained student survey responses to resource and expenditure items for the 1982-83 academic year, with background information provided by college registrars. A random sample of full and part-time undergraduate and graduate students was used and a 50 percent response rate was obtained (Cross, 1983). Finally, the Wisconsin survey obtained information over the telephone from a random sample of 639 undergraduates at the University of Wisconsin-Madison in 1983-84, and an 88 percent response rate was obtained.

Organization of Findings

Most of the tables in this paper report simple mean values of various types of aid, sorted by grouping variables. The number of students represented in groups after sorting varies across different student characteristics, due to the fact that all student aid recipient records in the data base do not include complete background information. For example, ethnic information is not as extensively reported as information about sex and marital status. Because of this, care must be taken in making direct comparisons across tables. (See Appendix A for a detailed discussion of methodology).

We begin our discussion of findings by describing the broad dimensions of student aid in public higher education and the changes that have occurred since 1981-82. We then proceed to examine aid recipient characteristics and their changes, including types of institutions attended and geographic region. We end our discussion by using the student resource and expenditure surveys in four different states to identify differences between students who receive aid and students who do not.

For purposes of this study, as noted, students were divided into three non-overlapping categories. AID-1 recipients include students who receive aid from at least one federal, state, or institutional program according to the most stringent needs analysis standards (i.e., the standards of the Pell or Uniform Methodology needs analysis systems). Roughly three out of four public college students whose aid is recorded in the files of campus student aid offices fall into this category. AID-2 students also receive aid on the basis of need, but the standards for these students are less stringent than for AID-1 recipients. Such students may also receive other forms of aid, but none from programs in the AID-1 category.

AID-3 students receive aid that is not based on demonstrated financial need, most often directly from sources external to the institution, including aid from sources such as organizations, schools, employers or government agencies outside the regular student aid system (e.g., Veterans and Social Security administrations). Campus student aid officers nearly always maintain files on all AID-1 and AID-2 recipients. However, records for AID-3 recipients are less reliable. AID-3 recipients are typically unknown to their institutions except in cases where students become known to campus student aid officers through their applications for need-based aid. Data on AID-3 recipients are included in the public higher education student aid recipient data bases to the extent that they are known to such institutions, constituting roughly 3 percent of all aid recipients. However, because of the partial nature of the institutional records for such students they are excluded from several of the tables appearing in the body of this study. Such exclusions are noted on the tables. Finally, near the end of the study, reference is made to a fourth category of students: N-AID (non-aid recipients). Across all public higher education this category includes roughly 70 percent of all students.

Before describing specific findings, we should briefly describe the treatment of Guaranteed Student Loans (GSL) in this study. In 1981-82, the year for which the first student aid recipient data base was developed, GSL recipients were not required to demonstrate financial need. The 97th Congress (January 1981-December 1982) added a financial need requirement, and by 1983-84 all GSL recipients were required to undergo needs analysis, even though, as earlier mentioned, under less stringent standards than those governing other need-based programs. Accordingly, the GSL program should logically be classified as an AID-3 program in 1981-82 and an AID-2 program in 1983-84.

We have chosen to include GSLs as an AID-2 need-based program in both years. The primary reason for putting it in the same category in both years is to preserve continuity for comparative purposes. We have chosen to include it as need-based because in both years roughly two-thirds of all GSL recipients also received assistance from AID-1 programs, indicating that the majority of these students did indeed participate in the program because of financial need even before it was a requirement. We should also note that the principal providers of GSL loans--banks--were routinely informing the relevant educational institution of their lending actions even in 1981-82. Institutional reports on participation in the GSL program were quite similar in both of the years studied. Therefore we assume that institutions were as well informed about participation in 1981-82 as they were two years later.

There are two basic ways of summarizing and comparing the distribution of student aid, both of which are employed in this study. The one most frequently used is to average all student aid dollars across broad categories such as grants, loans, work, and other assistance. This approach provides an unduplicated count of aid recipients and permits a general overview of how aid is packaged and distributed. The other approach identifies the actual number of students receiving aid by individual programs and shows average amounts received by such students. The second approach provides insight into the relative size and importance of individual programs, whereas the first approach simply averages amounts of aid provided by each program.

3. DIMENSIONS OF STUDENT AID IN PUBLIC HIGHER EDUCATION

In 1981-82 and 1983-84, two-year and four-or-more year public colleges and universities enrolled 9.7 million students. During each of these years slightly less than 3.0 million students were recorded as receiving some form of financial assistance from sources other than their families (30.0 percent in 1981-82 and 29.3 percent in 1983-84). Of these, 2.1 million in 1981-82 and 2.2 million in 1983-84 were AID-1 recipients; 0.6 million in 1981-82 and 0.4 million in 1983-84 were AID-2 recipients; 0.3 million in both years were AID-3 recipients. Even though enrollments and proportions of enrollees receiving aid remained quite stable during both years studied, however, we estimate that aid dollars for students attending public colleges and universities declined by roughly $0.5 billion, from $7.2 billion in 1981-82 to $6.7 billion in 1983-84.

Table 1 shows changes in the distribution of student aid dollars between 1981-82 and 1983-84 by AID category and by dependency status. (Students claimed by their parents as dependents for tax purposes are defined dependent students, students not claimed and financially independent are defined as independent students, students whose dependent status is unknown are unclassified students.)

The largest shift--in dollars--between the two years was between AID-1 and AID-2 recipients. The percentage of dollars flowing to AID-1 recipients increased from 74 to 81 percent of total student aid dollars, for example, while percentages flowing to AID-2 recipients declined from 22 to 13 percent. These changes are mainly explained by changes in the GSL program. Somewhat paradoxically, given that the financial need test introduced by Congress was less stringent than the one governing AID-1 programs, the effect of the GSL change, as evidenced in the data, was that loan dollars flowing to AID-1 recipients increased by $0.2 billion, while loan dollars flowing to AID-2 recpients declined by $0.6 billion--for a net decline of $.4 billion in loans to students in public institutions. This amount also accounts for 80 percent of the total decline in student aid dollars. The remaining 20 percent is accounted for by a $.1 billion decline in other aid--that is, aid not normally considered standard grant, loan, or work study programs. Total grant and work study dollars remained stable, although there was some redistribution of dollars among aid recipient categories: grants and other aid for AID-1 recipients each declined by $0.1 billion, for

Table 1

Total Dollars in Grants, Loans, Work Study and Other Assistance by Type of Aid Recipient (in billions)

Type Recipient	Grants	Loans	Work/ Study	Other	Total	%
AID1						
1981	$2.7	$1.6	$.8	$.2	$5.3	74
1983	2.6	1.8	.9	.1	5.4	81
AID2						
1981	.1	1.4	.1	.0	1.6	22
1983	.1	.8	.0	.0	.9	13
AID3						
1981	.2	.0	.0	.1	.3	4
1983	.3	.0	.0	.1	.4	6
Total						
1981	3.0	3.0	.9	.3	7.2	100
1983	3.0	2.6	.9	.2	6.7	100
Dependent						
1981	1.7	1.6	.5	.2	4.0	55
1983	1.7	1.5	.5	.1	3.8	57
Independent						
1981	1.2	1.0	.4	.1	2.7	38

example, whereas work study assistance for AID-1 recipients increased by $0.1 billion. Non-need-based grants, mainly merit-based scholarships, increased $0.1 billion, and work study assistance for AID-2 recipients declined $0.1 billion.

Shifts among dependency categories also centered on loans. There was a net decline of $0.4 billion in loans in the unclassified student category, for example, a $0.1 billion decrease in loans for dependent students, and a $0.1 billion increase in loans for independent students. The only other change was a $.1 billion decline in "other" aid for dependent students. Otherwise, the distribution of grant and work/study assistance across all categories remained unchanged.

Student aid is mainly sponsored by the federal government. However, state governments, the institutions themselves and private sources (typically small grants or loans from local organizations) are also important sponsors. Table 2 shows dollars from each of these sources and changes that occurred between 1981-82 and 1983-84.

Among the four sources appearing in Table 2 increases occurred in state aid and aid from private sources, while decreases occurred in federal and institutional aid. The largest dollar decline occurred in federal programs. Federal aid declined by roughly $0.3 billion from a base of $5.7 billion in 1981-82. The second largest dollar decline, and the largest percent decline (-25.2 percent), occurred in institutional sponsored aid, down roughly $0.2 billion from a base of $0.7 billion in 1981-82. Counteracting these declines to a limited degree were increases in state student aid (up $27 million) and aid from private sources (up $5 million).

Table 2

Public Higher Education Student Aid Dollars by Source

	1981-82	1983-84
Federal	$5,702,783,253	$5,407,131,698
State	570,785,025	597,495,924
Institution	686,265,075	513,160,339
Private	232,896,189	237,899,840
Total	$7,192,729,542	$6,755,687,801

A more detailed comparison of changes in sources of funding and participation in individual programs is provided in Table 3. Here individual programs are listed under headings indicating their sources of support. Also shown by program are projected numbers of participants, average awards, participants as a percentage of all aid recipients and participants as a percentage of headcount enrollment in public higher education.

Table 3 also allows us to trace the reason for the previously reported overall decline in federal student aid. Declines are shown in numbers of participants in the Pell and SEOG (Supplemental Education Opportunity Grant) grant programs, the GSL program, the Health Professions and Nursing programs and the Social Security Education Benefits Program. At the same time, increases occurred in the number of NDSL (National Direct Student Loan), CWSP (College Work/Study), and Other program recipients, and in two programs that did not appear in the 1981-82 data, the PLUS (Parent Loans for Undergraduate Students) and ALAS (Auxiliary Loan Assistant Students) programs. The overall decline is because the declines outweigh the increases.

The percent columns illuminate an important aspect of federal student aid. Of the 14 federal programs listed, only 5 (Pell, SEOG, NDSL, CWSP and GSL) provide assistance to substantial percentages of public college aid recipients. Of these the Pell program, which assisted 61.0 percent of all aid recipients (17.9 percent of all students) in public institutions, 1983-84, is by far the most important in terms of numbers aided. The next most used program was GSL, which

Table 3

Number of Aid Recipients and Average Awards by Program and Recipients as Percents of All Students Receiving Aid and Headcount Enrollment

Program	1981-82				1983-84			
	#	Average Award	% Aid Recipients (N-2,906,479)	% Enrollment (N=9,690,101)	#	Average Awards	% Aid Recipients (N=2,838,897)	% Enrollment (N=9,682,734)
Institutional Aid								
Non-need Grant	154,414	$ 857	5.3	1.6	185,554	$ 650	6.5	1.9
Need Based Grant	149,353	579	5.1	1.6	114,102	648	4.0	1.2
Non-CWSP Work	151,639	1260	5.2	1.6	95,409	1285	3.4	1.0
Fellowship*	12,390	1241	.4	.1	6,565	1959	.2	.1
Assistantship*	48,329	2259	1.7	.5	32,757	3399	1.2	.3
Long Term Loan	36,757	438	1.3	.4	17,217	983	.6	.2
Employee Benefits*	3,447	961	.1	.0	8,172	863	.3	.1
Dependent Waiver*	5,138	542	.2	.1	5,372	966	.2	.1
Other*	147,995	876	5.1	1.5	53,911	791	1.9	.6
Federal Aid								
Pell Grant	1,861,685	863	64.1	19.4	1,732,864	945	61.0	17.9
SEOG Grant	473,741	554	16.3	4.9	453,848	530	16.0	4.7
NDSL (loan)	463,710	776	16.0	4.8	573,778	865	20.0	5.9
CWSP (work)	519,590	1081	17.9	5.4	578,846	1205	20.4	5.9
FISL/GSL (loan)	1,102,205	2305	37.9	11.5	1,019,900	2002	35.9	10.5
PLUS (loan)	-	-	-	-	18,273	2269	.6	.2
ALAS (loan)*	-	-	-	-	3,828	2439	.1	.0
Soc. Sec. (grant)*	81,333	2049	2.8	.8	23,764	1551	.8	.2
Health Prof. (grant)	504	2033	.0	.0	508	1094	.0	.0
Health Prof. (loan)	8,344	2254	.3	.1	12,830	1923	.5	.1
Nursing Grant	8,925	535	.3	.1	750	763	.0	.0
Nursing Loan	9,932	874	.3	.1	8,827	939	.3	.1
Veterans Benf. (grant)**	34,982	2762	1.2	.4	34,982	2762	1.2	.4
Other*	40,421	1857	1.4	.4	42,471	1766	1.5	.4
State Aid								
Merit Grant*	24,071	424	.8	.3	63,382	516	2.2	.6
Need Based Grant (SSIG)	656,768	506	22.6	6.8	676,605	562	23.8	7.0
Entitlement Grant*	61,329	555	2.1	.6	60,286	776	2.1	.6
Campus Grant*	63,144	706	2.2	.7	23,366	667	.8	.2
State work-study	62,172	1026	2.2	.6	22,502	1349	.8	.2
Rehabilitation Grant*	20,096	739	.7	.2	28,603	721	1.0	.3
Other*	80,773	1006	2.8	.8	97,393	731	3.4	1.0
Other Aid								
Scholarships*	99,176	699	3.4	1.0	119,216	908	4.2	1.2
Loans *	26,671	1935	.9	.3	6,449	1464	.2	.1
Earnings of Record*	47,248	2370	1.6	.5	46,306	2596	1.6	.5

*Institutional records incomplete

**1984 Veteran's benefits assumed equal to 1981-82 because of noncomparable data collection.

Note: The percentage columns sum to more than 100 percent because of overlapping amounts assisted 35.9 percent of all aid recipients (10.5 percent of all students) in public institutions. The programs were reversed in importance with respect to the total amount of dollars provided, however, because the average award from GSL was more than twice that from Pell ($2,002 versus $945). Thus, awards from GSL totaled roughly $2 billion (1,019,900 x $2002) versus a Pell total of $1.6 billion (1,732,864 x $945).

Institutional aid, the category showing the second largest dollar decline between 1981-82 and 1983-84, is composed of nine programs, only four of which are routinely monitored by campus student aid offices. Because so many of these programs fall outside campus student aid systems, interyear comparisons are less reliable than for major federal programs. However, declines in numbers of aid recipients also appear for the four programs that are regularly monitored by campus student aid operations. Three of these (Need-Based Grant, Non-CWSP Work and Long Term Loan) are generally need based and all three show declines in numbers of recipients and in student aid dollars. Non-need grant recipients, in contrast, increased by 33,140 and non-need grant dollars increased by roughly $12 million.

State governments, which in 1983-84 ranked second to the federal government in terms of support for student aid, increased their aid slightly above 1981-82 levels. This category includes the third largest student aid program, need-based grants augmented by the federal SSIG (State Student Incentive Grant) program. This program is notable for the fact that--next to the federal Pell and GSL programs--it assists the largest proportion of public institution aid recipients (23.8 percent) and enrolled students (7.0 percent). The state need-based grant program also is notable because, other than the federal NDSL and CWSP programs, it was the only need-based program showing an increased number of recipients in 1983-84. At the same time, the number of recipients of state need-based work/study declined by 39,670, while the number of non-need-based state "merit" grants increased by 39,311 recipients.

The last category appearing in Table 3, Other Aid (encompassing privately supported and non-need-based programs), also showed a slight net increase, which is entirely due to increased scholarships available.

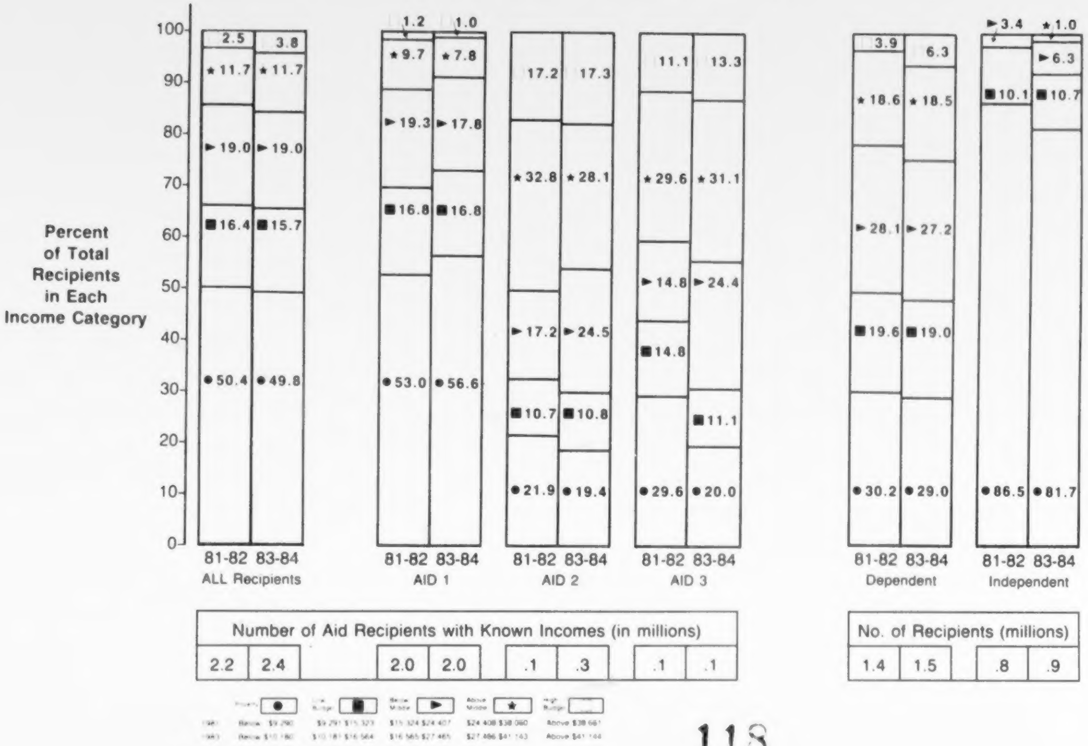
Two aspects of the preceding comparisons seem particularly noteworthy. One is that, although need-based grants continued to predominate during both of the years studied, the dollar ratios of need to non-need-based programs declined from 11 to 1 in 1981-82 to 8 to 1 in 1983-84. A possible explanation for this change may be a follow-the-leader effect stemming from recent efforts to raise academic standards. Another may be increasing reliance by educational institutions on government need-based programs to achieve economic equity. Whatever the case, student aid seems to be taking small steps in a new direction.

The second aspect of Table 3 which deserves mention is that though most student aid programs serve very small proportions of public college students and aid recipients, they are not unimportant in the aggregate. As can be seen, only six programs, five federal and one state, served more than 10 percent of aid recipients and only two federal programs (Pell and GSL) served more than 10 percent of public college students in 1983-84. However, the other programs together represented 1.1 million student aid awards totalling $1.1 billion--or 19.4 percent of the recorded dollars flowing to public college students.

The distribution of student aid by income is shown in Figure 1. For purposes of categorization five income ranges (measured for four-person families) have been used. These are the 1981 and 1983 poverty definitions employed by the U.S. Census, and the 1981 Bureau of Labor Statistics four income budget definitions adjusted by the Consumer Price Index to represent comparable real incomes in 1983. The lowest (poverty) is incomes below the U.S. Census poverty income threshold. The second (low budget) is incomes between the poverty threshold and the Bureau of Labor (BLS) Statistics low-income budget. The third (below middle) is incomes between the BLS low-income and middle-income budgets. The fourth (above middle) is incomes between the BLS middle-income and upper income budget. The fifth and highest (high budget) is incomes above the BLS high-income budget. These definitions are used to define the following income categories:

	1981-82	1983-84
Poverty	Below $9,290	Below $10,180
Low Budget	$9,291-$15,323	$10,181-$16,564
Below Middle	$15,324-$24,407	$16,565-$27,465
Above Middle	$25,408-$38,060	$27,466-$41,143
High Budget	Above $38,661	Above $41,144

Fig. 1 Distribution of Aid Recipients by Income Level



	ALL Recipients 81-82	ALL Recipients 83-84	AID 1 81-82	AID 1 83-84	AID 2 81-82	AID 2 83-84	AID 3 81-82	AID 3 83-84
Number of Aid Recipients with Known Incomes (in millions)	2.2	2.4	2.0	2.0	.1	.3	.1	.1

	Dependent 81-82	Dependent 83-84	Independent 81-82	Independent 83-84
No. of Recipients (millions)	1.4	1.5	.8	.9

The first four pairs of panels in Figure 1 show all recipients and each aid category by income level. For both years, taking all students together we see that roughly half fall into the lowest income category and more than eight out of ten were in the bottom three income categories. Since the AID-1 category is by far the largest, it is not surprising to find that the overall distribution is very similar to the distribution of AID-1 recipients. The main difference seems to be that there was a slight increase in targeting of AID-1 aid to lower income students in 1983-84 than in 1981-82, which is not reflected in the overall figures. Comparing AID-1 recipients with AID-2 and AID-3 recipients, however, reveals dramatic differences in the stringency of income targeting, and less stringent targeting in 1983-84 than in 1981-82.

The last two pairs of panels in Figure 1 contrast the distributions of aid recipients by dependency status. Dependent students are those who receive enough financial support from their parents to be claimed as a tax exemption. Independent students are those responsible for supporting themselves. Most need-based student aid programs distinguish between these two kinds of students when determining the extent of financial needs and the standard needs analysis systems apply different formulae. As can be seen, the vast majority (over 80 percent) of independent students fall into the lowest income category, suggesting that the 50+ percent of AID-1 recipients falling into this category may be more than proportionately independent students. It should be noted in interpretating Figure 1 that the 4-person family income-equivalent cut-off will cause the income status of independent students to be somewhat underestimated compared to dependent students because, although 4 out of 10 such students have dependents, their average family size is certainly lower than that of the families providing support to dependent students.

Further information of the dependent/independent student breakdown is provided in Table 4, which shows the distribution of aid recipients in 1981-82 and 1983-84 according to dependency status and the three AID classifications. Only a small proportion of aid recipients fall into the unclassified category and none of them are in the most stringently need-based (AID-1) category. This is not surprising given the sensitivity of the Pell and Uniform Methodologies to dependency status. The AID-1 recipients experienced a major shift in dependency status between 1981-82 and 1983-84. This is accounted for by declining numbers of unclassified students in the AID-2 category following implementation of a GSL needs analysis system requiring information on dependency status.

Changes in the age distribution of dependent and independent aid recipients between 1981-82 and 1983-84 are shown in Table 5. The average age of both groups increased. This may reflect a tightening of requirements for awarding independent student status, increased scrutiny on the part of student aid officers of existing requirements, or simply aging of the student population. The greatest proportional change occurred in the 21 and under independent student category. In 1981-82, almost one out of five independent students were 21 or younger; by 1983-84 the ratio had fallen to one in six.

Differences in the behavior and treatment of dependent and independent aid recipients are illustrated in Table 6, which compares resources and expenditures of independent AID-1 recipients in 1981-82 and 1983-84. Note that this table differs substantially from Table 3, which projected actual numbers of aid recipients and average awards by program. Table 6 averages dollars from various programs across

Table 4

Aid Recipients by Dependency Status
(in millions)

	Dependent		Independent		Unclassified		Total	
	1981-81	1983-84	1981-81	1983 83	1981-82	1983-84	1981-82	1983-84
AID1	1.3	1.3	.8	.9	.0	.0	2.1	2.2
AID2	.3	.2	.1	.1	.2	.0	.6	.3
AID3	.1	.1	.1	.1	.0	.1	.2	.3
Total	1.7	1.6	1.0	1.1	.2	.1	2.9	2.8

Table 5

Age Distribution of Dependent and Independent Aid Recipients

	Dependent		Independent	
	1981-82	1983-84	1981-82	1983-84
21 and under	79.6	76.2	19.2	15.9
22-24	17.3	19.5	25.6	25.0
25-30	2.5	3.6	31.6	33.4
31-40	.5	.5	18.1	20.0
Over 41	.1	.2	5.5	5.7
Total	100.0	100.0	100.0	100.0

Table 6

Distribution of Resources and Expenditures Among Dependent and Independent Undergraduate AIDI Recipients

(All Reported Incomes Combined)

	Dependent		Independent	
	1981-82	1983-84	1981-82	1983-84
Number of Recipients (in millions)	(1.3)	(1.2)	(.8)	(.8)
Expenditures				
Tuition/Fees	921	1,118	702	886
Room & Board	1,577	1,793	2,917	3,087
Other Budgeted	1,267	1,311	2,458	2,056
Total Fxpenditures	$3,833	$4,222	$6,125	$6,029
Resources				
Grants:				
Pell	$714	$759	$832	$833
Supplement (SEOG)	117	127	146	101
State (incl SSIG)	159	212	158	141
Institution Need-Based	43	8	31	6
Sub-Total	1,033	1,098	1,167	1,081
Work:				
College Work Study(CWS)	$252	$308	$276	$379
State/Inst. Work Prog.	94	47	171	51
Sub-Total	346	455	447	430
Loans:				
NDSL	$156	$236	$161	$246
GSL	555	545	534	689
Inst. Loan	8	5	17	7
Sub-Total	$719	$786	$712	$942
Contributions:				
Parent	$469	$457	$ 0	$ 0
Student	540	549	1,959	2,280
Sub-Total	$1,009	$1,006	$1,959	$2,280
All Other Aid	$ 282	$ 320	$ 339	$ 330
Total Student Resources	$3,390	$3,665	$4,624	$5,063

all aid recipients within a given category--in this case AID-1 undergraduate recipients. Comparisons are limited to this group because most of the major federal and state programs identified in the table are specifically targeted on undergraduate students qualifying for aid under the Pell or Uniform Methodology needs analysis systems. A similar table for AID-2 recipients would show resources mainly from GSL, parents, students, and "other" sources. A table for AID-3 recipients would show resources only from parents, students and others.

Dependent and independent undergraduate AID-1 recipients, as shown in Table 6, differ mainly in terms of average expenditures. Total expenditures for independent students are substantially higher than those of dependent students, $6,029 and $4,222 respectively in 1983-84. This is because independent students average higher room and board and other budgeted expenditures than dependent students. When interpreting such comparisons it is important to note that these average figures are affected by many variables--including costs and mixes of institutions attended during a given year and differing circumstances affecting dependent and independent students. Most important with respect to the latter is the fact that much higher proportions of independent students are either married or have children or other dependents of their own (Stampen, 1983). This affects needs analysis estimates of room and board costs and other budgeted expenditures, leading to higher overall expenses for independent students. Dependent aid recipients, on the other hand, are overwhelmingly young and single. Another important difference between the two categories is, of course, that independent students are not expected to receive aid from parents and therefore make larger contributions of their own. Only minor differences exist between dependent and independent students in equivalent circumstances and this is to some extent because dependent students average higher tuitions and fees (reflecting their selection of institutions) than independent students.

Finally, Table 6 shows different patterns of change for dependent and independent students between 1981-82 and 1983-84. For dependent students average tuitions and fees increased $197 (21.3 percent), total expenditures increased $389 (10.1 percent), and total resources increased $275 (8.1 percent). For independent students tuitions and fees increased $184 (26.2 percent), total expenditures declined $96 (-1.6 percent), and total resources increased $439 (9.5 percent). The decline in total expenditures is accounted for by a $402 decline in other budgeted expenditures. This may reflect changes either in the characteristics of independent students (e.g., fewer with dependents) or in the mixture of institutions attended, or tightened institutional scrutiny over expenditures of this type.

The fact that total expenditures (top of table) compared with total resources (bottom of table) shows negative balances (i.e., lower resources than expenditures) during both 1981-82 and 1983-84 needs comment here. It is difficult to know how to interpret this result, except to observe that it does not necessarily imply unmet need among all AID-1 recipients. This is because these aggregates reflect individual circumstances, different mixtures of student aid programs, varying requirements governing parental and student contributions, and other factors. This overall pattern does indicate the need for further investigation of resource and expenditure comparisons.

Thus far, recent changes in some of the basic variables affecting student aid in public higher education have been described. These were overall changes in student aid dollars from originating sources, program characteristics, recipient incomes and dependent and independent student characteristics. Attention now turns to recent changes affecting specific types of aid recipients and their attendance vis a vis various types of institutions and geographic regions.

4. AID RECIPIENT CHARACTERISTICS

The following section describes changes between 1981-82 and 1983-84 in five student characteristics: sex, ethnicity, marital status, academic level, and attendance status. It then presents changes in the distribution of various types of aid recipients across five types of public colleges and universities and five geographic regions. Most of the following tables include only AID-1 and AID-2 type recipients because, as explained earlier, institutional records are more complete for recipients and programs within these categories than they are for the AID-3 category.

Before proceeding it is worth commenting briefly on the table format for this section of the report. For each of the five characteristics of aid recipients, tables describing recipients precede those showing resources and expenditures in dollars. The latter should be interpreted with caution because average dollar amounts are, of course, influenced by the manner in which students are distributed among institutions and programs, as well as the manner in which other characteristics than the ones being compared vary across the individuals.

For example, when comparing males and females, average amounts may differ because of differences between males and females that are unrelated per se (like income or marital status). The data bases can be used to make comparisons which hold other variables constant. This has not been done for the present report, however.

Changes in the distribution and amounts of aid flowing to male and female AID-1 and AID-2 recipients are described in Table 7 and Table 8. Table 7 shows no change in the total relative proportions of male and female aid recipients. In 1981-82, as in 1983-84, female aid recipients outnumbered males by the same margin (55 percent female to 45 percent male). The only places where change is noticeable between 1981-82 and 1983-84 is that dependent AID-2 recipients declined in proportion to independent AID-1 recipients. In both cases changes were slight and affected males and females equally. Also, as mentioned previously, these changes probably reflect the GSL programs becoming need based and the gravitation of GSL recipients toward the AID-1, AID-2 or non-recipient categories.

Table 8 shows average dollar amounts for male and female students within several resource and expenditure categories. Also shown are sex differences between dependent and independent students within the AID-1 and AID-2 recipient headings. The most noticeable difference among students in Table 8, in terms of resources, is between AID-1 and AID-2 recipients. AID-1 recipients rely heavily on grants, followed by loans, work and "other" assistance, whereas AID-2 recipients of both sexes rely far more heavily on loans than on any other form of assistance. Also noteworthy concerning the distribution of resources, and no doubt reflective of recent changes in the GSL program, are declines in amounts

Table 7

Distribution of AID-1 and AID-2 Recipients by Sex

	Male	Female
1981-82 (N = 2.5 million)		
Dependent		
AID1	24.3	27.9
AID2	6.0	6.1
Independent		
AID1	12.9	18.3
AID2	2.3	2.2
Total	45.5	54.5
1983-84 (N = 2.4 million)		
Dependent		
AID1	22.9	27.0
AID2	4.8	5.0
Independent		
AID1	14.9	20.4
AID2	2.6	2.4
Total	45.2	54.8

Table 8

Resources and Expenditures for Dependent and Independent
AID1 and AID2 Recipients by Sex

	Male				Female			
	Dependent		Independent		Dependent		Independent	
	AID1	AID2	AID1	AID2	AID1	AID2	AID1	AID2
Resources								
Grants								
1981	$1260	$ 75	$1357	$ 95	$1220	$151	$1320	$318
1983	1323	106	1234	295	1314	83	1221	337
Loans								
1981	873	2359	1035	2968	718	2359	669	2590
1983	866	2061	1091	2320	750	2053	879	2109
Work								
1981	309	107	511	93	374	137	408	110
1983	374	54	536	195	393	21	486	118
Other								
1981	126	29	123	67	85	47	107	118
1983	44	20	80	83	45	38	50	44
Total								
1981	2568	2570	3026	3223	2397	2694	2504	3136
1983	2607	2241	2941	2893	2500	2205	2635	2589
Expenditures								
Tuition								
1981	1056	1129	826	1052	936	1089	724	861
1983	1163	1343	975	1165	1105	1417	874	1141
Total								
1981	4076	4310	5848	5880	3878	4226	6209	6064
1983	4282	4683	5961	5963	4174	4713	6208	6178

bestowed on AID-3 recipients, which are reflected in declines in total resources awarded to them. Some differences appear in resources and expenditures for male and female students; however, in most instances variations are small and (as noted above) probably explained by factors other than sex. One sex difference that is worth noting is that independent female students average lower tuitions and higher total expenditures than independent male students. This suggests that higher percentages of independent females may have dependents of their own and attend low-tuition institutions.

Ethnicity

Perhaps the most important change between 1981-82 and 1983-84 was a decline in the number of aid recipients who were members of non-European ethnic minorities (shown in Table 9). Groups included in the minority category are Blacks, Hispanics, Asians, Pacific Islanders, and American Indians. In 1981-82 nearly one-third of all aid recipients (0.6 million) were classified as minorities. By 1983-84 only slightly more than one in four (0.5 million) were so classified. Reflecting this trend, the number of minority aid recipients declined 12.4 percent while the number of non-minority aid recipients changed little if at all. Note that the total number of aid recipients (N) in this table is lower than in most other tables. This reflects the fact that ethnic group membership, particularly for students of European extraction, is less often recorded than other student characteristics. Thus, reporting may be a source of some bias in Table 9. However, identical data collection procedures were followed during both years studied and the reported percentages generally approximate information from other sources.

Table 9

Percent Distribution of AID-1 and AID-2 Recipients by Minority Status

	Minority	Non-Minority
1981-82 (N = 1.9 million)		
Dependent		
AID-1	19.0	35.3
AID-2	.7	10.1
Independent		
AID-1	11.8	19.4
AID-2	.5	3.2
Total	32.0	68.0
1983-84 (N = 1.9 million)		
Dependent		
AID-1	16.3	34.2
AID-2	.6	8.4
Independent		
AID-1	11.4	24.7
AID-2	.5	3.9
Total	28.8	71.2

indicating that the trends over time can probably be interpreted with confidence.

Changes in the distribution of non-minority group students seem mainly to reflect changes in the GSL program described earlier. Proportions of non-minority dependent AID-1 recipients remained unchanged while dependent AID-2 recipients declined. At the same time, independent AID-1 recipients increased. Minority aid recipients show a different pattern. For them change only occurred in the dependent AID-1 recipient category, in which their representation declined sharply. Reasons for this sharp decline cannot be ascertained on the basis of information contained within the data bases. Nor was there any legislation passed which affected eligibility for AID-1 programs. However, declines in minority student aid recipients and minority student enrollments have been observed in higher education institutions across the nation. One explanation often given is that cuts in other domestic programs affecting minorities (such as housing) have caused such students to drop out and seek employment to supplement family incomes. Although solving this puzzle is beyond the scope of the present study, it suggests an important topic for further investigation.

Table 10 shows the distribution of dollars across resource and expenditure categories for minority and non-minority students. As can be seen, minority students tend to enroll at lower tuition institutions. In addition, in the AID-1 dependent category, minority students borrow considerably less than their non-minority counterparts.

Table 10

Resources and Expenditures for Dependent and Independent
AID1 and AID2 Recipients By
Minority and Non-Minority Group Status

	Minority				Non-Minority			
	Dependent		Independent		Dependent		Independent	
	AID1	AID2	AID1	AID2	AID1	AID2	AID1	AID2
Resources								
Grants								
1981	$1350	$ 96	$1338	$180	$1168	$ 81	$1248	$222
1983	1472	121	1249	381	1260	102	1213	355
Loans								
1981	289	2208	497	3397	1001	2391	941	2748
1983	542	1936	837	2219	886	2029	988	2137
Work								
1981	417	107	434	0	319	111	464	115
1983	446	106	598	207	379	44	493	195
Other								
1981	90	26	116	102	62	35	85	141
1983	38	49	78	132	38	20	53	36
Total								
1981	2146	2437	2385	3679	2550	2618	2738	3226
1983	2498	2212	2762	2939	2563	2194	2747	2723
Expenditures								
Tuition								
1981	683	1056	582	852	957	1098	743	926
1983	877	1364	691	1116	1153	1391	946	1123
Total								
1981	3497	4165	6006	6183	3793	4127	6041	5682
1983	3912	4674	5807	5514	4261	4759	6187	5994

Marital Status

Table 11 compares single and married aid recipients. In 1983-84, 87.4 percent of all aid recipients were single (including widowed and divorced students), compared to 89.9 percent in 1981-82. Between-year changes in the single student category again seem to reflect the changed status of the GSL program (i.e., the characteristic increase in independent AID-1 recipients and decrease in dependent AID-2 recipients). Roughly three out of four single students were AID-1 recipients in later years; however, slight changes occurred within this category. The percentage of independent students, for example, increased while the percentage classified as dependent students decreased. During the same time the proportion of dependent AID-2 recipients also decreased. For married students the pattern was somewhat different. Very few married students fell into the dependent student category in either year. However, as with the single aid recipients, the percentage of students classified as independent AID-1 recipients increased. The percentage of all aid recipients classified as married students also increased.

Table 12 shows the distribution of dollars across resource and expenditure categories for single and married aid recipients. Again, patterns are similar to those found in preceding tables (i.e., AID-1 recipients relying primarily on grants, AID-2 recipients on loans, and higher total expenditures for independent recipients). Married and single students differ in that married students average lower tuition expenditures, reflecting the high percentages of married students attending low-tuition two-year colleges. Also noteworthy are the higher total expenditure figures for married independent students. These

Table 11

Percent Distribution of AID-1 and AID-2 Recipients by Marital Status

	Single	Married
1981-82 (N = 2.3 million)		
Dependent		
AID-1	54.3	.6
AID-2	12.1	.1
Independent		
AID-1	21.0	7.9
AID-2	2.5	1.5
Total	89.9	10.1
1983-84 (N = 2.2 million)		
Dependent		
AID-1	51.9	.4
AID-2	10.1	.1
Independent		
AID-1	22.5	20.1
AID-2	2.9	2.0
Total	87.4	22.6

Table 12

Resources and Expenditures for Dependent and Independent AID-1 and AID-2 Recipients by Marital Status

	Single				Married			
	Dependent		Independent		Dependent		Independent	
	AID1	AID2	AID1	AID2	AID1	AID2	AID1	AID2
Resources								
Grants								
1981	$1238	$117	$1405	$256	$1180	$ 21	$1091	$110
1983	1324	102	1315	307	907	0	1087	386
Loans								
1981	781	2360	824	2690	637	2998	834	2957
1983	818	2088	1085	2222	847	1668	763	2237
Work								
1981	338	112	440	102	567	0	471	73
1983	389	43	559	77	217	0	440	234
Other								
1981	102	39	94	78	188	56	146	45
1983	45	29	64	49	0	0	61	98
Total								
1981	2459	2628	2763	3126	2572	3075	2542	4185
1983	2576	2262	3023	2655	1971	1668	2351	2955
Expenditures								
Tuition								
1981	987	1105	779	999	761	650	766	934
1983	1140	1376	989	1248	972	1585	868	1066
Total								
1981	3940	4227	5224	5019	4415	6277	7804	8084
1983	4234	4709	5516	5132	5016	5070	7576	7832

reflect the impact of having dependents of their own to support while attending college.

Academic Level

The comparison between undergraduate and graduate aid recipients is shown in Table 13. There is little, if any, change between 1981-82 and 1983-84 in the relative numbers of undergraduate and graduate aid recipients. During both years, graduate students accounted for less than 4 percent of all aid recipients. For undergraduates the same within-group distributional changes appear as reported for single students (namely, the percentage of aid recipients who are independent AID-1 recipients increased, the percentage who are dependent AID-1 recipients decreased. The proportion of dependent AID-2 recipients also decreased). Very few graduate aid recipients are classified as dependent students. Among those classified as independent students, AID-1 recipients increased substantially in proportion to AID-2; however, because graduate aid recipients are so few in number these changes are dwarfed in the overall picture by the undergraduate patterns.

The low level of graduate student participation in student aid programs is in part a function of their share of public higher education enrollment, roughly 9 percent. But it is predominantly a function of aid program characteristics. First, very few student aid programs provide aid to students attending less than half time, and perhaps as many as half the graduate student body do so. Second, several of the largest student aid programs (i.e., Pell, SEOG and NDSL) award aid exclusively to undergraduate students. These population and program

Table 13

Percent Distribution of AID-1 and AID-2 Recipients by
Undergraduate and Graduate Status

	Undergraduate	Graduate
1981-82 (N = 2.5 million)		
Dependent		
AID-1	52.2	.3
AID-2	12.6	.4
Independent		
AID-1	30.1	1.1
AID-2	2.9	1.4
Total	96.8	3.2
1983-84 (N = 2.4 million)		
Dependent		
AID-1	48.4	.5
AID-2	9.7	.4
Independent		
AID-1	33.4	1.6
AID-2	3.9	1.1
Total	96.4	3.6

constraints together explain the seemingly low percentage of aid recipients accounted for by graduate students.

Table 14 shows the distribution of average dollar amounts across resource and expenditure categories for undergraduate and graduate students. In terms of differences between dependent and independent students, patterns for undergraduate students are similar to those of non-minority and single students. Patterns for graduate students are substantially different. Graduate students, both dependent and independent, rely far more heavily on loans than do undergraduates. Even AID-1 graduate recipients borrow more than they receive in grants. Another characteristic of graduate students is that they pay higher tuitions. This reflects the fact that most full-time graduate students attend doctoral degree-granting institutions. Among public institutions these average the highest tuitions and the highest total costs of attendance.

Attendance Status

In Table 15 full-time and part-time students are compared, where part time is defined as anything less than a full academic course load. During both 1981-82 and 1983-84 more than nine out of ten aid recipients attended college full tme. With respect to changes between 1981-82 and 1983-84, the proportions of dependent AID-1 students, both full and part time, decreased. The proportion of full-time independent AID-1 students decreased. The proportions of dependent AID-2 students, both full and part time, also decreased. The proportion of independent AID-2 students who were full time decreased slightly, but the proportion of independent AID-2 students who were part time increased substantially.

Table 14

Resources and Expenditures for Dependent and Independent
AID-1 and AID-2 Recipients By
Undergraduate and Graduate Status

	Undergraduate				Graduate			
	Dependent		Independent		Dependent		Independent	
	AID1	AID2	AID1	AID2	AID1	AID2	AID1	AID2
Resources								
Grants								
1981	$1246	$ 82	$1356	64	$ 761	$ 893	$ 858	$ 509
1983	1323	92	1259	68	825	216	576	1137
Loans								
1981	771	2281	736	2311	3919	4294	3407	3757
1983	790	2047	899	2084	2986	2708	2336	2680
Work								
1981	341	127	436	135	467	10	838	31
1983	383	43	470	159	414	18	1243	111
Other								
1981	102	38	101	89	301	51	394	208
1983	41	30	50	34	396	0	295	165
Total								
1981	2460	2528	2629	2599	5147	5248	5497	4405
1983	2537	2212	2678	2345	4621	2942	4450	4093
Expenditures								
Tuition								
1981	986	1101	741	793	2185	1290	1510	1312
1983	1112	1363	855	1022	3340	1708	2134	1636
Total								
1981	3956	4211	6028	5540	7004	5726	7264	6979
1983	4178	4647	5980	5836	9487	6219	8576	6970

Table 15

Percent Distribution of AID-1 and AID-2 Recipients by Full-Time and Part-Time Attendance Status

	Full-Time	Part-Time
1981-82 (N = 2.5 million)		
Dependent		
AID-1	49.4	2.8
AID-2	11.5	.6
Independent		
AID-1	27.3	3.9
AID-2	3.9	.6
Total	92.1	7.9
1983-84 (N = 2.4 million)		
Dependent		
AID-1	47.6	2.3
AID-2	9.6	.5
Independent		
AID-1	20.1	4.9
AID-2	3.8	1.1
Total	91.2	8.8

Table 16 shows the distribution of average dollar amounts for full- and part-time students across resource and expenditure categories. For both types the most pronounced difference is between AID-1 and AID-2 recipients. AID-1 recipients rely most heavily on grants and AID-2 recipients most heavily on loans. Within this overall pattern, grants for part-time recipients are smaller than for full-time recipients, as one would expect given differences in intensity of attendance. Loans, however, exhibit only small differences by intensity of attendance. This may be because most borrowing is done under the GSL program. In this case transactions are between individual students and banks, and previous research (Stampen, 1983) shows a tendency for banks to standardize loans at or near their maximum allowable amounts (i.e., $2,500 for undergraduate students and $5,000 for graduate students). Another difference between full and part-time students is lower average tuitions for part-time students reflecting the fact that most of them attend low tuition two-year institutions.

It should be noted here that roughly nine out of ten public higher education aid recipients are legal residents of the states whose colleges and universities they attend (Stampen, 1983) and thereby also benefit from state subsidized tuitions set well (usually 70-75 percent) below full instructional costs. Non-resident students, on the other hand, pay tuitions closer to the full cost of instruction. Accordingly, those non-resident students who qualify for student aid recieve larger average grants and loans than do state residents. As evidence of this, Table 17 shows AID-1 recipients with income below the poverty line (for a 4-person family) by resident/non-resident status. As can be seen, the

Table 16

Percent Distribution of AID-1 and AID-2 Recipients by
Full-Time and Part-Time Attendance Status

	Full-Time				Part-Time			
	Dependent		Independent		Dependent		Independent	
	AID1	AID2	AID1	AID2	AID1	AID2	AID1	AID2
Resources								
Grants								
1981	$1264	$118	$1396	$175	$787	$ 13	$911	$415
1983	1345	102	1306	391	776	5	743	61
Loans								
1981	810	2362	863	2831	283	2258	493	2446
1983	833	2091	1056	2344	389	1717	413	1823
Work								
1981	347	128	467	107	197	16	294	59
1983	389	40	549	185	234	80	254	0
Other								
1981	106	39	123	77	31	15	38	204
1983	45	28	70	73	43	31	11	2
Total								
1981	2527	2647	2849	3190	1298	2302	1736	3124
1983	2612	2261	2979	2993	1442	1833	1421	1886
Expenditures								
Tuition								
1981	1012	1122	802	990	606	855	508	782
1983	1154	1391	967	1268	718	1044	621	778
Total								
1981	3995	4278	5999	6092	3450	3883	6627	5396
1983	4278	4711	6210	6275	3204	4313	5463	5362

Table 17

Average Tuition and Total Aid Received by AID-1 Recipients With Income Below the Poverty Line: By State Residency Status, 1981-82

	State Resident		Non-Resident	
	Tuition	Total Aid	Tuition	Total Aid
Dependent	$758	$2,230	$1,666	$3,350
Independent	688	2,690	1,431	3,657

average tuition and total aid amounts are substantially higher for the latter group.

Distribution of Aid Recipients by Type of Institution and Geographic Region

Figure 2 shows percentages of total headcount enrollment accounted for by the three types of aid recipients. The five sets of columns appearing in the figure represent four different types of public institutions and all public institutions combined. As can be seen in the box at the bottom, total headcount enrollment in public higher education remained the same in 1983-84 as it was in 1981-82, at 9.7 million students. Aid recipients as a percent of total enrollment also remained almost the same (see numbers in parentheses).*

Greater variation is observed in some of the columns representing different types of institutions. Among research universities, recipients as a percentage of headcount enrollment declined from 48.8 percent in 1981-82 to 43.3 percent in 1983-84. Most noticeable here is a sharp decline in AID-2 recipients. Lesser changes are witnessed in comprehensive colleges and universities although, as with the research universities, declines occurred in the AID-2 recipient category. Public two-year colleges accounted for the largest share of total headcount enrollment. However, these institutions had the lowest percentages of students receiving aid, 19.6 percent--a large majority of which were AID-1 recipients and a very small proportion of which were AID-2 recipients. Two factors explain the relatively low levels of

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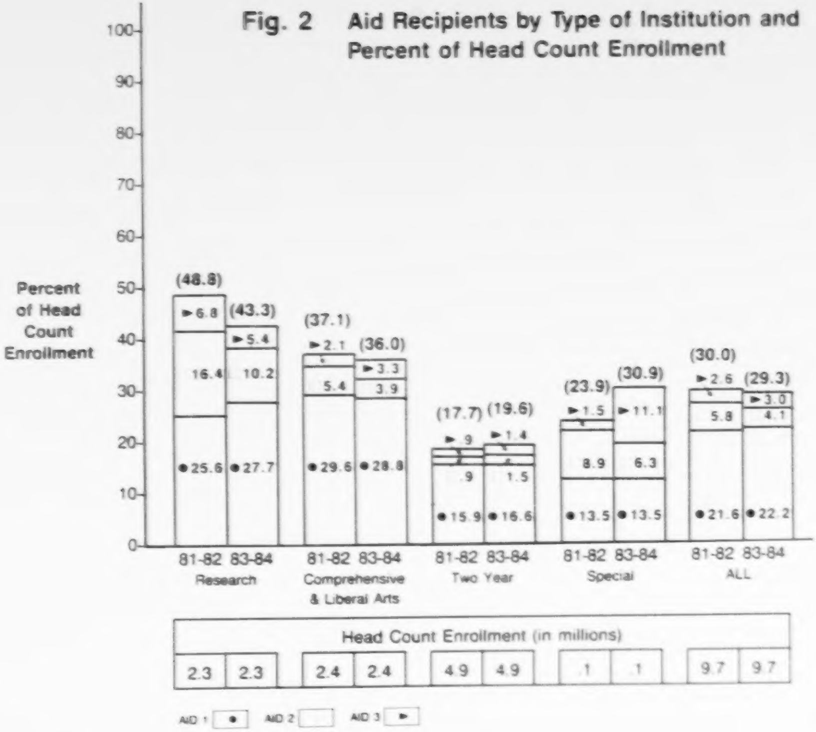
*The notable difference within these similar percentages between these two years was a decline in the percentage of AID-2 recipients, which was largely counterbalanced by increases in AID-1 and AID-3 recipients.

Fig. 2 Aid Recipients by Type of Institution and Percent of Head Count Enrollment



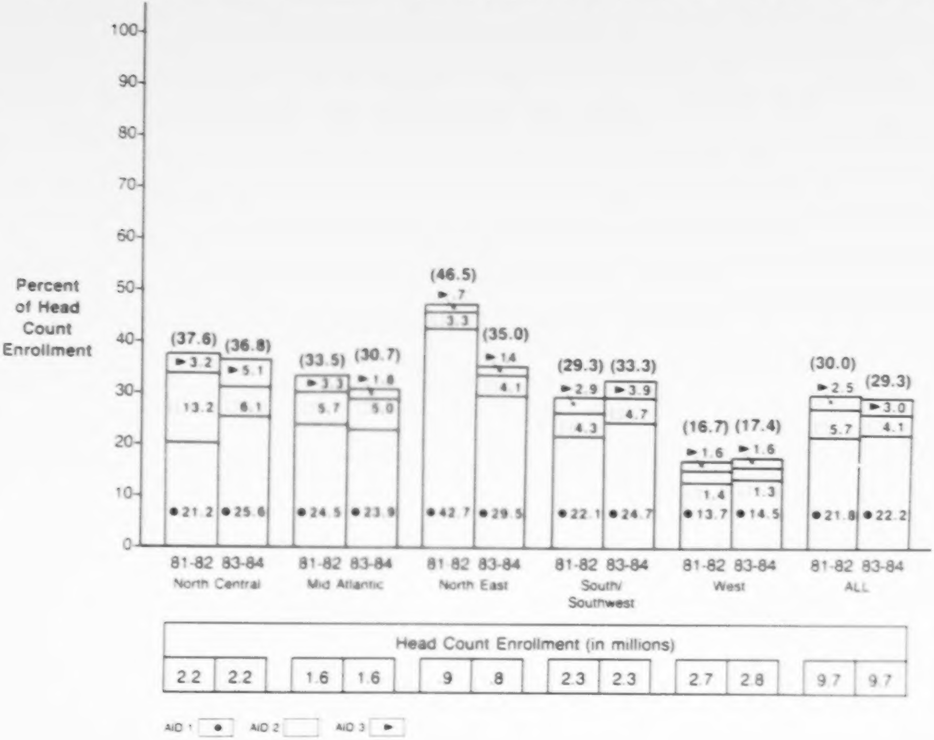
participation among two-year college students in student aid: the high proportions of students attending part time and the relatively low tuition charged by community colleges and public vocational schools.

Distributions of dollars across resource and expenditure categories for students attending the three largest categories of public institutions (i.e., research universities, comprehensive colleges and universities, and two-year colleges) are shown in Appendix H. Patterns within these tables are similar to those previously shown except that two-year college students borrow less than students attending comprehensive colleges and universities and the latter borrow less than students attending research universities. Total resources, tuition, and total expenditures follow the same progression.

Figure 3, which is constructed in the same manner as Figure 2, shows the distribution of various kinds of aid recipients across five geographic regions. The overall columns, of course, are virtually identical to all institutions in columns in Figure 2. Each region contains a unique mixture of two- and four-year institutions affecting the relative proportions of aid recipients within each column. Accordingly, the previously observed pattern of declining numbers of AID-2 recipients is much less pronounced in the regional than in the institutional breakdown, because each recipient column includes two-year institutions, which have relatively few AID-2 recipients in either year.

There are two reasons the proportions are so low in the West. There are large proportions of students attending community colleges in that region which have lower tuition, few full-time students and therefore fewer aid recipients. Second, tuition or fees charged by comprehensive colleges and universities in California are very low

Fig. 3 Aid Recipients by Geographic Region and Percent of Head Count Enrollment



relative to the rest of the country, again implying the need for less aid.

In 1983-84 aid recipients accounted for between 30.7 and 36.8 percent of total enrollments in all regions except the West. Similar uniformity is shown in proportions of enrollment accounted for by AID-1 recipients (between 23.9 and 29.5 percent), AID-2 recipients (between 4.1 and 6.1 percent) and AID-3 recipients (between 1.4 and 5.1 percent). The only exception to the overall 30 + percent plateau, other than the West, is the North East region in 1981-82. This seemingly higher than typical proportion in 1981-82 followed by a seemingly sharp decline in 1983-84 is actually an artifact of the sample representation in the two years, and occurs because of a declining representation of New York in the North East Region. As noted, roughly one-third of all the institutions in the 1983-84 sample were represented in the preceding 1981-82 sample. This degree of overlap did not always occur in specific states, however, and notably not in New York.

New York has the nation's largest state student aid system and the highest proportion enrolled students receiving aid--roughly seven out of ten compared to three out of ten nationally. Thus, the degree of representation of New York institutions in the overall sample from the North East Region has an atypically large effect on the numbers in that region: 1983-84 data accurately reflect the characteristics of other states within that region.

Distributions of dollars across resource and expenditure categories for students attending public colleges and universities within the five geographic regions are shown in Appendix H. Variations across regions in resources and for dependent and independent AID-1 and AID-2 recipients appear to be modest and conform to earlier described patterns. Also, institutions in the South/Southwest and West average lower tuitions than other regions. There is little variation among the regions in terms of average grants, work study awards and aid from "other" sources. The variable showing the greatest instability is loans.

Summary

Several important patterns emerge from the preceding discussion of aid recipient characteristics. One is overall stability in the number of public college aid recipients as well as headcount enrollments. Another is changes in the characteristics of aid recipients, including sharp declines in the number of aid recipients from ethnic minority groups. A third is changes in the distribution of aid recipients stemming from altered requirements for the GSL program between 1981-82 and 1983-84.

In most respects student aid remained a stable source of support for students attending public colleges and universities during the two years studied. Aid recipients as a percent of total enrollment remained at or near the 30 percent figure of 1981-82, and total enrollments remained unchanged during both years. One could even argue that the distribution of aid became more equitable, in that a higher proportion of recipients qualified under stringent Pell and Uniform Methodology needs standards (i.e., more students became AID-1 recipients).

However, within this pattern of overall stability, characteristics of aid recipients as well as the distribution of aid were somewhat altered, and for one group, importantly so. There was a 12.4 percent decline in the number of ethnic minority recipients--due mostly to declines in the proportions of dependent AID-1 recipients. Overall, reduced numbers of minority aid recipients were counterbalanced by increased numbers of older, non-minority, independent, married, and part-time recipients. Why this occurred demands further study using these and other data bases. Another discernible trend was increasing numbers of students receiving aid awarded on the basis of academic merit or on other criteria independent of economic need.

The distribution of aid also seems to have been affected by the largest federal student loan program, GSL, becoming need based between 1981-82 and 1983-84. Here again the reasons are not entirely clear. On the one hand, some former GSL recipients may have ceased participating after needs requirements were added to the program--this is suggested by the slowly declining number of AID-2 recipients between the two years. But on the other hand, some may have applied for other forms of need based assistance thereby augmenting the number of independent AID-1 recipients. A third explanation for increases in AID-1 recipients may simply be that new constituencies (for example, older students) increasingly applied for AID-1 programs. In any case, the number of AID-2 recipients--students reliant primarily on GSL loans and attending four-or-more-year colleges and universities--declined in number, as did the average amounts borrowed by such students. Also, this occurred without any discernible effect on enrollment.

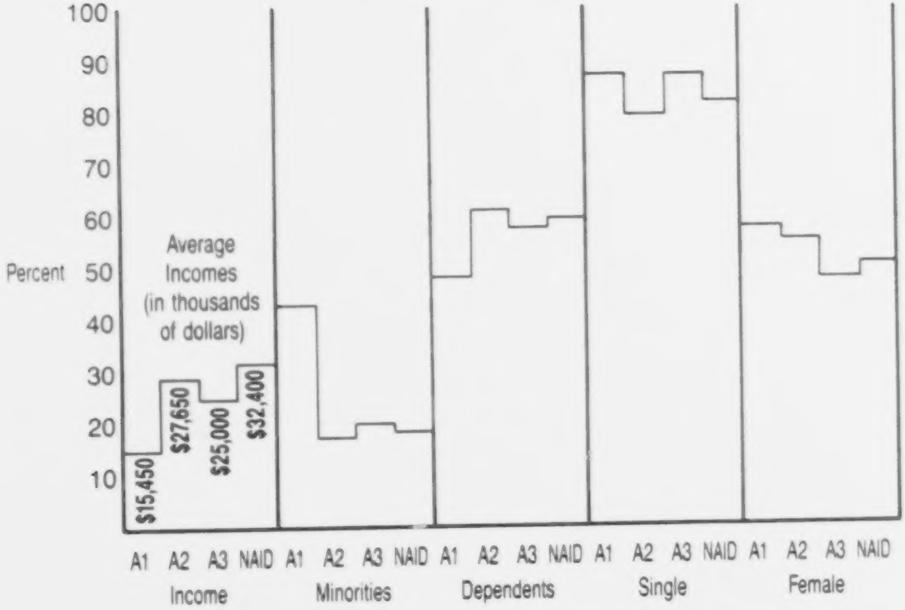
5. STUDENT RESOURCE AND EXPENDITURE SURVEYS

This final section of the report provides an analysis of four student resource and expenditure surveys conducted in 1982 and 1983 in Arizona, California, New York and Wisconsin (Stampen and Fenske, 1984), in order to compare characteristics and resource and expenditure patterns of students who receive aid with those of students who do not receive aid.

As noted earlier, these four data bases were separately constructed. Also, individually, these states are not representative of the nation as a whole. However, two reasons justify the grouping together of the data from the four surveys to make overall comparisons by aid category. First, the general reliability of the data bases is attested to because of the dramatically similar findings, both among the first surveys and also between the four surveys and the nationally representative data bases. Second, the four state studies shared substantial similarities in general purpose, types of students and institutions represented, and specific information collected. Because of these similarities the same three aid recipient categories employed in the nationally representative data bases can be compared with a fourth category found only in the state data bases--the non-aid recipients group (N-AID).

The four-state survey data, as shown in Figure 4, indicate that full-time undergraduate students in all aid categories are overwhelmingly single (our figures include widowed and divorced students). Distribution by sex is also relatively similar across aid categories (percent female hovering between the 50 and 60 percent mark). Not surprisingly, the different aid groups have substantially different

FIGURE 4
Student Characteristics: Each Category (Except Income) Represents Percents of Four Types of Students Having Specified Traits*



*Includes Arizona, California, SUNY, CUNY

parental incomes--average parental incomes of AID-1 recipients, for example, are less than half those of non-aided students (N-AID). AID-1 recipients are also disproportionately minority, and disproportionately independent (i.e., not receiving support from their families).

Student expense comparisons are shown in Figure 5.[*] Students of all aid types pay about the same to attend college. This appears to be true both across and within spending categories--including tuition and fees, books and supplies, room and board, transportation and personal expenditures. With respect to the last category, it does appear that AID-1 recipients spend more for personal maintenance than other students, but students in this category also differ from others in that higher percentages of them are independent students (many of whom, although mostly single, have dependents of their own).

Resources for financing college attendance vary more than expenditures. However, as shown in Figure 6, the variation is largely what one would expect given the previously described national patterns. For example, AID-1 recipients rely most heavily on grants, followed by loans and least on parents. AID-2 recipients rely most heavily on loans, followed by personal resources, work, grants, and parental assistance. AID-3 recipients rely on parents, work, and grants in that order. Finally, students who do not receive either grants or loans (N-AID), rely primarily on parental assistance, followed by personal resources and work.

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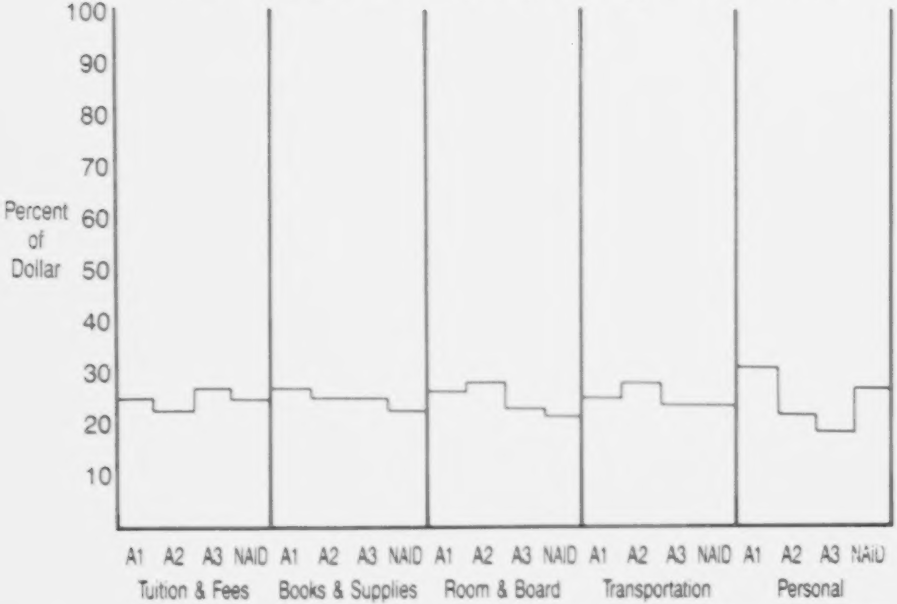
[*] Note that in Figures 5 and 6 comparisons are made on the basis of percents of "One Index Dollar." This indicator averages the distribution of dollars across the AID-1 - N-AID categories and expresses the result in terms of a hypothetical "Index Dollar" (i.e., 100 percent). Within a given resource or expenditure category, this indicator shows the percent of dollars accounted for by students within each of the various AID/N-AID categories.

FIGURE 5

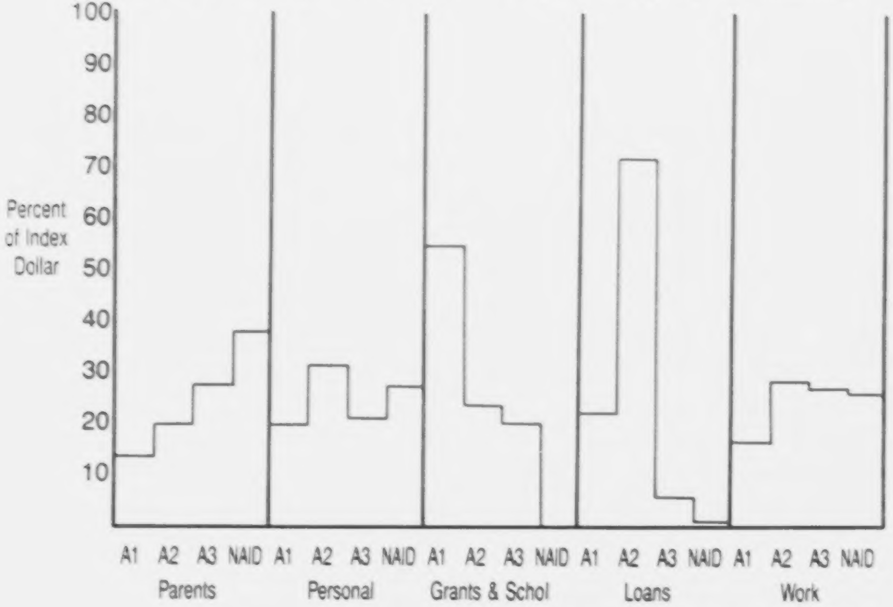
Student Expenses: Each Category Represents Percents of One Index Dollar Spent by Four Types of Students*



*Includes Arizona, California, SUNY, CUNY

FIGURE 6

Student Resources: Each Category Represents Percents of One Index Dollar Received by Four Types of Students*



*Includes Arizona, California, SUNY, CUNY

AID-I recipients in Figure 6 are also distinctive in that, by a considerable margin, they average fewer dollars from work than other groups. However, this may be more reflective of lower earnings than lower levels of employment, since Table 18 indicates relatively comparable levels of work for all aid groups. Indeed, AID-I recipients tend to have higher levels of employment during the school year than other groups.

Information on academic achievement is also shown in Table 18 for two of the state surveys. The University of Wisconsin-Madison survey asked about high school class rank, and California surveyed students about grades in college. No discernible differences appear in the academic performance of the various types of students in either survey. In every category more than eight out of ten of Wisconsin's students graduated in the top third of their high school classes and in California the average grade for all students was a B.

Evidence on academic achievement based on only two state surveys naturally does not warrant firm conclusions about overall conditions or general behaviors. However, that such conditions are widespread is at least plausible--particularly when one considers that most aid recipients in both the state and national studies had already completed one or more years of college, thereby demonstrating an ability to persist in academic environments. Such persistence would be difficult without the reward of adequate grades. Indeed, it is well known that dropout rates are high and that one of the most observed characteristics of dropouts is poor grades. Thus, to the extent that most aid recipients are survivors of such screening, their average levels of academic performance can be expected to differ little from those of non-aided students.

TABLE 18

Work and Academic Achievement by Aid Recipient Category (Full-Time Undergraduates)

	Work				Academic Achievement			
	Percent Summer		(Percent Semester)					
	AID 1	AID 2	AID 3	NAID	AID 1	AID 2	AID 3	NAID
California	71(67)	76(69)	79(70)	83(75)	3.0 GPA	3.0 GPA	3.0 GPA	3.0 GPA
CUNY	ND(61)	ND(56)	ND(53)	ND(48)	ND	ND	ND	ND
SUNY	ND(84)	ND(42)	ND(63)	ND(58)	ND	ND	ND	ND
Wisconsin***	85(61)	89(58)	82(38)	83(46)	Top ⅓ HS	Top ⅓ HS	Top ⅓ HS	Top ⅓ HS

**Research university only

*ND indicates no data

To the extent that barriers to higher education are economic, analysis of both state and national data suggests that aid is equitably distributed. Those who receive aid according to the most stringent needs tests (i.e., AID-1 recipients) come mostly from low income backgrounds. That student aid also fills a need is shown by the fact that costs of attendance do not vary greatly across categories of students, while sources of support do. It also seems apparent that the cost of college attendance is great enough, and resources sparce enough, to encourage high levels of summer and school year employment for all kinds of students. Such high levels of work at least suggest that without aid those in the lowest income categories would be unlikely to compensate through yet more work for deficiencies in their economic circumstances.

APPENDIX A

Technical Supplement

Sampling Procedures

From a population of 1,357 public institutions of higher education, those with enrollments of 500 or more were identified. These institutions were arranged by type of institution and region, creating "type-region" strata or cells. Five institutional types (using Carnegie Commission classifications--research, comprehensive, liberal arts, two-year, and special) and five geographical regions (North Central, Mid-Atlantic, North East, Southwest, and West) were specified, for a total of 25 "type-region" cells. Within each cell, institutions were rank ordered by size of enrollment and a random sample of institutions was then drawn from the population of institutions with enrollments of 500 or more, proportionate to the total number of institutions falling into each of the 25 cells. Thus, this was a stratified, random sample of institutions.

The sample which was chosen constituted a 20 percent proportionate cell sample. The random selection process can be simply described for a hypothetical type-region cell of 30 institutions. The first step is to compute the size of the desired subsample of institutions - in this example, by taking 20 percent of 30, or 6. This cell would then be partitioned into 6 equal divisions. The divisions are randomly assigned an "A" or "B" designation so that there are roughly equal numbers of A and B divisions. Institutions within each division are then randomly assigned a number between 1 and 5. Selection may then proceed by first selecting all ones in division "A" and all twos in division "B" until the type-region sub-sample is complete. Other arrangements for selecting the subsample of institutions which are suitable to the research design may be used. For example in the 1981 data base only "1-A and 1-B" institutions were selected; in the 1983 data base "2-A and 1-B" institutions were selected to construct sample overlap with the 1981 data base.*

The method assured completely random selection of institutions while at the same time representing an even distribution of sizes of enrollments within each "type-region" stratum.

Data Collection

Packets of materials (including request to participate, an estimated number of survey instruments, an institutional questionnaire, instructions for selecting individual aid recipients, and instructions for completing forms) were sent on to chief administrative officers under cover of the appropriate sponsoring association (American Association of Community and Junior Colleges, American Association of State Colleges and Universities, or National Associations of State Universities and Land Grant Colleges).

In the 1981 sample, 226 of 269 institutions contacted agreed to participate; in the 1983 sample 216 of 270 institutions agreed. At participating institutions, financial aid officers or their staff conducted the selection of individual student records. The procedure began by computing the number of recipients to be included in the sample, randomly selecting the first record from the first ten records to be drawn from a master list of aid recipients, and then completing the procedure by selecting every subsequent fortieth student. A student aid survey was completed for each aid recipient selected in this manner and sent to the investigators.

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*If the number in the subsample is not divisible exactly by 5, the extra institutions are then available as replacement institutions if a sample institution declines to participate.

Preparation of Data

Processing of raw data involved visual inspection of each student record by a team of graduate students who then checked, via telephone, questionable or unclear information. The following were responses to typical questions.

1) The data did not include those who received aid during only the second half of the year but did include those receiving non-government funding; those receiving non-need types of aid only; students who withdrew after receiving their award; those who may not have completed a Financial Aid Form and those who received short term loans.

2) Where necessary (i.e., for commuter students) the room and board costs used were those values estimated by the institution in determining that particular student's aid package.

3) Institutions were asked to use their financial aid office files but were not asked to go to other sources (such as academic departments) for information.

4) In the case of dependent students, the income amount used was parental Internal Revenue Service (IRS) adjusted gross income; and for the case of independent students, it was the student's IRS adjusted gross income.

In 1981, the raw data were coded by NIICU Data Services, Washington, D.C. and in 1983 the raw data were coded and keypunched by Datashop Computing Services, Janesville, Wisconsin, after which the final data bases were checked by the investigators both manually and via computer. The final data were based on an 84 percent return rate for 1981-82 and an 80 percent rate of return for 1983-84 with proportionate representation of all five types of institutions and regions of the country. Individual institution samples varied from less than 10 student aid records to more than 500 and the final data bases contained 11,970 student aid records amd 10,200 student aid records, respectively.

Weighting Procedure

Following Arthur Kirsch's methodology, the data were weighted to reflect the actual numbers of students being represented by the sample. The construction of weights (WT) involved the computation of three factors: an individual school weight projecting from the school sample size to the total number of recipients in the school (WT1); a cell weight projecting from the cell sample size to the number of institutions (WT2); and a final weight projecting from each individual student record to all student aid recipients in the country (WT1 * WT2).

Weights were computed by dividing the number of units in the population by the number of units actually obtained in the sample. This value, multiplied by the percentage of return (number of actual units/number of desired units in the sample) provided the desired number of units represented.

For example, each student record sampled was to represent 40 student aid recipients, and aid officers were given instructions to draw such a sample. In a school with 400 aid recipients, then, the desired sample size would be 10 records. But if the institutions only provided 8 records, each record would only represent 1 out of 50. The weight for this school then would be 400/8 (or 50).

Similarly, each institution in the sample was to represent five institutions within its "type-region" cell--to yield a 20 percent sample of all public higher education institutions with enrollments over 500. If there were 198 institutions in the cell, the desired sample size would be 39 institutions. But, if only 27 institutions agreed to participate, each institution in that cell would represent one out of 7 and not one out of five institutions. The weight for this "type-region" cell, then, would be 198/27 or 7.3. Again, this factor multiplied by the percentage of return would provide the desired proportion of institutions within each cell. Thus, at the national level the 11,970 records in the 1981 sample - after weighting - represented 2.9 million student aid recipients and the 10,200 records in the 1983 sample--after weighting--represented 2.7 million student aid recipients. In other words, one student represented approximately 250 students nationally. Of course, for a particular individual from a specific institution, the actual number of students he/she represented varied.

Appendix B

Number in Population and Sample Institutions by Type of Institution and Geographic Region

	North Central	Mid-Atlantic	North East	South	West	Totals
Research Universities	N = 28 n = 4	N = 19 n = 4	N = 12 n = 2	N = 27 n = 6	N = 27 n = 5	N = 113 n = 21
Comprehensive Universities and Colleges	N = 71 n = 11	N = 71 n = 12	N = 44 n = 7	N = 107 n = 20	N = 46 n = 9	N = 139 n = 59
Liberal Arts	N = 1 n = 1	N = 2 n = 1	N = 1 n = 1	N = 5 n = 1	N = 2 n = 1	N = 11 n = 5
Two-Year	N = 187 n = 26	N = 198 n = 27	N = 83 n = 12	N = 187 n = 32	N = 193 n = 29	N = 848 n = 126
Others, Special	N = 5 n = 1	N = 6 n = 0	N = 14 n = 2	N = 12 n = 1	N = 9 n = 1	N = 46 n = 5
Totals	N = 292 n = 43	N = 296 n = 44	N = 154 n = 24	N = 338 n = 60	N = 277 n = 45	N =1357 n = 216

N = number of institutions with enrollments of 500 or more.

n = number of randomly selected institutions in each region/type cell choosing to participate.

Appendix C

Partial List of Variables Available in The Public Higher Education Student Aid Study Data Base

INSTITUTIONAL VARIABLE

FICE Code
Type of Institution
State
Region of the Country
Total Graduate and Undergraduate Enrollment
Total Graduate and Undergraduate Aid Recipients
Total Undergraduate Aid Recipients
Total Tuition and Fees Revenue, 1983-84
Total Educational and General Expenditures, 1983-84
Total Dollar Value of Institutionally Funded Aid
Dollar Value of Donar Restricted Aid
Dollar Value of Uncollectable Student Accounts Receivable
Number of Completed Student Aid Records in Sample

STUDENT DEMOGRAPHIC VARIABLES

Registration Status
Academic Level
Local Residence
Age
Sex
Minority Code
Marital Status
Number of Dependent Children
Dependency Status

STUDENT FINANCIAL AID VARIABLES

Parental IRS Adjusted Gross Income
Father's Earnings
Mother's Earnings
Student's Non-Taxable Income
Student Vet Education Benefits
Parent's Federal Income Tax Paid
Number in Parent's Family
Medical Expenses
Unreimbursed Elementary and Secondary Tuition
Independent Student's Net Assets (& spouse)
Student's Non-Taxable Income
Student's Income Tax Paid
Parent's Home Equity
Parent's Small Business & Farm
Parent's Other Assets
Student's IRS Adjusted Gross Income

STUDENT FINANCIAL AID VARIABLES (continued)

Parent's Expected Contribution
Student's Expected Contribution
Number of Parent's or Student's Family in College
Tuition and Fees
Room Charge
Board Charge
All Other Budgeted Costs for Students
Total Costs for Students
Institutional Non-Need Based Grants
Institutional On-Campus Earnings
Institutional Fellowships
Institutional Assistantships
Institutional Loans
Institutionally Financed FISL/GSL
Institutional Employee Benefits, Discounts, Waivers
Institutional Employee Discounts/Waivers for Dependents
All other Institutional Aid
Federal Pell Grants
Federal SEOG
Federal NDSL
Federal CWSP
Federal PLUS loans
Federal Alas loans
Federal Social Security Payments
Federal Health Professional Loans
Federal Nursing Grants
Federal Nursing Loans
All Other Federal Aid
State Merit Based Grants
State Need Based Grants (including SSIG)
State Entitlement Grants
State College Work Study Programs
State Rehabilitation Grants
All Other State Aid
Miscellaneous Grants
Loans from Outside Sources
Off Campus Earnings

Appendix D

Summary of Major Student Assistance Programs

Pell Grants

(Named after Rhode Island Senator Claiborne Pell and formerly called the Basic Educational Opportunity Grant program.) Provides grants to assist qualified undergraduate students based on financial needs which are determined by applying a formula to income, assets, and other information provided on a needs analysis document. This "eligibility index," in combination with a calculated cost of attendance at the institution and the student's enrollment status (part time or full time), results in the actual dollar value of the award. The maximum award allowed in 1983-84 was $1,800.00 or one half the cost of attending, whichever was lower. The minimum was $200.00. Students receiving aid under this program may attend public, independent, or proprietary postsecondary educational institutions.

SEOG

(Supplemental Educational Opportunity Grant.) Provides grants to assist students with exceptional financial need. Federal grants are distributed through institutions which select students to receive the award. The minimum award allowed in 1983-84 was $200.00. The maximum was $2000.00. Students receiving aid under this program may attend public or independent non-profit postsecondary educational institutions.

NDSL

(National Direct Student Loan.) Provides low interest loans to students based on financial need. NDSL funds are allotted to states by a formula based on the number of full-time students nationally. Funds to the institutions make up 90 percent of the loan fund and institutions contribute 10 percent. Terms of the loans for the 1983-84 year included 5% interest rate, repayment beginning six months after graduation with up to 10 years to repay. Maximum loans were $3,000.00 for students in vocational programs or with less than 2 years completed toward a bachelor's degree; $6,000.00 for undergraduates in at least the third year toward a bachelor's degree; and $12,000.00 for graduate or professional students. Students receiving aid under this program may attend public or independent non-profit postsecondary educational institutions.

CWSP

(College Work-Study Program.) Provides students who have financial need with jobs as part of their financial aid package. Grants flow to institutions for partial reimbursement of wages paid to students working on-campus or off-campus in public or non-profit organizations. The institution's allocation covers 80 percent of the wages and the remainder is paid by the institution, employer, or some other donor. Both graduate and undergraduate students are eligible, though most of these funds go to undergraduates. The amount a student can earn depends on financial need and the amount of money the institution has available. Students receiving aid under this program may attend public or independent non-profit postsecondary educational institutions.

GSL

(Guaranteed Student Loan.) A federally subsidized corporation, Sallie Mae, buys loans from commercial lenders and some educational institutions acting as direct lenders. The latter institutions provide loans at below market interest rates and these loans are free from interest charges while a student is enrolled in an educational program. GSLs were based on financial need during 1983-84. Interest rates for the 1983-84 academic year were original borrowing rates (i.e. 6-9%) for students with outstanding GSLs and 8% for new borrowers. The maximum yearly loans and total outstanding debt allowed were: $2,500.00 and $12,500 for independent undergraduates; $3,000.00 and $15,000.00 for independent undergraduates; and $5,000.00 and $25,000.00 for graduate or professional students. Students receiving aid under the program may attend public, independent, or proprietary postsecondary educational institutions.

SSIG

(State Student Incentive Grant.) Provides assistance to students with financial need on a 50-50 cost-sharing basis between federal and state governments. Funds are allotted to states as an incentive for states to establish and maintain grant assistance programs for undergraduate students. The states determine specific dollar amounts and must administer the funds through a single state agency which receives no federal allowance for administrative costs. The maximum grant permitted under SSIG is $1,500 per academic year. Students receiving aid under this program may attend public or independent non-profit postsecondary education institutions, or for-profit proprietary institutions if state laws permit.

Veterans Administration Payments

Provides assistance to veterans under four programs: 1) G.I. Bill Educational Assistance Program; 2) Vocational Rehabilitation Program; 3) Dependents' Education Assistance Program; and 4) Contributory Educational Assistance Program. The G. I. Bill provides up to 45 months of full-time schooling or on-the-job training for eligible students. The Vocational Rehabilitation program provides full cost of training and a subsistence allowance up to 48 months. The Contributory Educational Assistance Program matches on a 2 to 1 basis money which participants put aside while in the service. The Dependents' Education Assistance Program provides up to 45 months of full-time training for eligible dependents of deceased veterans. Students receiving aid under these programs may attend any postsecondary educational program approved by the Federal Veteran's Administration.

Social Security Payments

Until May 1982 this program provided assistance to students with at least one parent who was a deceased, totally disabled, or retired Social Security participant. Average payment was more than $2,000 per year. By 1985, Congress will have eliminated educational benefits for participants and sharply reduced benefits for those currently enrolled in college. During academic year 1983-84 the educational benefits program was fully operational and eligible students were required to be full-time undergraduates not over 22 years of age.

Nursing Loans and Grants

Provides assistance to students in accredited schools of nursing education. For long-term low interest loans, individual schools select recipients. For 1983-84, maximum loans available were $2,500 and the total outstanding loan could not exceed $10,000. Interest rates were 3%. Funds for grants to assist students with "exceptional financial need" are also distributed by the institution but based on financial need. Maximum grants for 1981-82 were $2,000.

Health Profession Loans and Grants

Provides assistance to students in accredited schools of medicine, dentistry, osteopathy, optometry, pharmacy, podiatry, and veterinary medicine. Participating institutions are responsible for selecting loan and grant recipients. The maximum loan allowed during 1983-84 was $2,500. Grants are awarded to first year, full-time students, and are limited only to unmet need.

State Programs

Individual states provide their own grant, loan, or work-study programs, although few states provide all three forms of assistance. In many cases major state grant programs are associated with the federal SSIG program and state loan programs are often linked with the federally subsidized GSL program. A minority of states provide a broad range of special purpose student assistance programs with widely varying terms for student eligibility. State programs provided approximately $1.1 billion in student assistance altogether during academic year 1983-84.

Institutional Programs

Individual public colleges and universities may also provide student aid in a variety of forms such as student assistantships, on- and off-campus employment opportunities, or externally sponsored programs administered by institutions or individual needs in departments. Merit and athletic scholarships are examples of the latter. Terms of student eligibility vary greatly from one institution to another, except that in most cases aid from institutional sources accounts for a very small proportion of aid distributed from all sources.

Other Programs

Government-sponsored student assistance programs are augmented by a wide variety of programs funded by private sources such as private individuals, corporations, labor unions, and benevolent organizations. In some cases these programs are administered by the institution, but in others they are administered directly by sponsoring individuals or groups. Aid from these sources generally represents a very small proportion of aid recorded by institutional student aid offices.

Appendix E

Public Higher Education Student Aid Study Participants by Type of Institution

UNIVERSITIES 1983-1984

Indiana State University, IN
Western Michigan University, MI
University of Missouri - Rolla, MO
University of Wisconsin - Madison, WI
Kent State University, OH
College of William and Mary, VA
Virginia Polytechnic Institute and State University, VA
Rutgers University - New Brunswick, NJ
University of Rhode Island, RI
CUNY Graduate School and University Center, NY
Auburn University, AL
University of Arkansas, AR
University of South Florida, FL
University of Tennessee - Knoxville, TN
University of Colorado - Boulder, CO
University of Montana, MT
University of Nevada - Reno, NV
University of Oregon, OR
East Texas State, TX
University of Kentucky, KY
University of New Mexico, NM

COMPREHENSIVES - COLLEGES AND UNIVERSITIES

Washburn University - Topeka, KS
Eastern Michigan University, MI
Grand Valley State College, MI
Northern Michigan, MI
Oakland University, MI
University of Minnesota - Duluth, MN
Missouri Western State College, MO
Chadron State College, NE
Wayne State College, NE
Minot State College, ND
University of Wisconsin-River Falls, WI
St. Mary's College of Maryland, MD
Trenton State College, NJ
East Carolina University, NC
Pembroke State University, NC
University of North Carolina - Charlotte, NC
University of North Carolina - Wilmington, NC
Cleveland State University, OH

Slippery Rock State College, PA
Concord College, WV
West Virginia Institute of Technology, WV
Rutgers University - Camden, NJ
Mansfield State University, PA
University of Maine - Farmington, ME
Bridgewater State College, MA
Framingham State College, MA
University of New Hampshire - Keene State College, NH
SUNY - Brockport, NY
SUNY - Oneonta, NY
SUNY - College of Technology, NY
University of Arkansas - Monticello, AR
Arkansas Technical University, AR
Florida Atlantic University, FL
Fort Valley State College, GA
West Georgia College, GA
Eastern Kentucky, KY
Nichols State University, LA
McNeese State University, LA
Southeastern Louisiana University, LA
Central State University, OK
South Carolina State College, SC
East Tennessee State University, TN
Middle Tennessee State University, TN
Angelo State University, TX
Midwestern State University, TX
Tarleton State University, TX
University of South Carolina - Spartanburg, SC
Auburn University - Montgomery, AL
Corpus Cristi State University, TX
California State University - Los Angeles, CA
California State University - Dominpaues Hills, CA
California State Polytechnical University - Pomona, CA
San Jose State University, CA
Western State College, CO
Western Montana College, MT
Eastern New Mexico University, NM
Weber State College, UT
University of Hawaii - Hilo, HI

LIBERAL ARTS COLLEGES

Mayville State College, ND
University of Maryland - Eastern Shore, MD
University of Maine - Machias, ME
Laredo State University, TX
Mesa College, CO

TWO YEAR COLLEGES

Belleville Area College, IL
Elgin Community College, IL
Highland Community College, IL
Kaskaskia College, IL
Indiana Vocational Technical Center
Morton College, IL
Sauk Valley College, IL
North Iowa Community College, IA
Glen Oaks Community College, MI
Brainerd Community College, MN
Metropolitan Community College, MD
Rochester Community College, MN
St. Louis Community College - Florissant Valley. MO
Moberly Area Junior College, MO
McCook Community College, NE
North Dakota State School of Science, ND
William Rainey Harper College, IL
Scott Community College, IL
Hawkeye Institute of Technology, IA
Macomb Community College Center Campus, MI
Gateway Technical Institute, WI
College of Lake County, IL
Nicolet Area Technical College, WI
State Community College of East St. Louis, MO
Indiana Vocational-Technical College - Indianapolis, IN
Metropolitan Technical Community College, NE
Allegheny Community College, MD
Hagerstown Junior College, MD
Atlantic Community College, NJ
Cuyahoga County Community College, OH
Kent State - Trumbull Regional Campus, OH
Butler County Community College. PA
Pennsylvania State University - Kensington, PA
University of Pittsburg - Bradford, PA
Tidewater Community College, VA
Virginia Western Community College, WV
Wytheville Community College, VA
Ashville-Buncombe Technical College, NC
Montgomery County Community College, PA
Wilson County Technical Institute, NC
Clark Technical College, OH
Cape Fear Technical Institute, NC
Beaver County Community College, PA
Luzerne Community College, PA
Somerset Community College, KY
Sampson Technical College, NC
Halifax Community College, NC
Cleveland Technical College, NC
Nash Technical College, NC
Roanoke-Chowan Technical Institute, NC

Garrett Community College, MD
Forsythe Technical & Institute, NC
Manchester Community College, CT
Massasoit Community College, MA
New Hampshire Technical Institute, NH
SUNY - Agriculture and Technical College, NY
Tri County Communty College,
Jeffferson Community College, NY
Mohawk Valley Community College, NY
Nassau Community College, NY
Wake Technical College, NC
New Hampshire Vocational Technical College, NH
Tunxis Community College, CT
Bunker Hill Community College, MA
College of Staten Island, NY
S.D. Bishop State Junior College, AL
Snead State Junior College, AL
West Arkansas Community College, AR
Chipola Junior College, FL
Polk Community College, FL
Abraham Baldwin Community College, GA
Kennesaw College, GA
Holmes Junior College, MS
Northeast Mississippi Junior College, MS
Utica Junior College, MS
Western Oklahoma State College, OK
North East Oklahoma Agricultural and Mechanical
    College, OK
University of South Carolina - Sumter, SC
University of South Carolina - Lancaster, SC
Columbia State Community College, TN
Bee County College, TX
Cook County College, TX
Henderson County Junior College, TX
Lee College, TX
Panola Junior College, TX
Paris Junior College, TX
Wharton County Junior College, TX
Horry-Georgetown Technical College, SC
University of Kentucky Community College, KY
Valencia Community College, FL
Chesterfield-Marlboro Technical College, SC
Macon Junior College, GA
Hillsborough Community College, FL
Richland College, TX
Eastfield College, TX
South Oklahoma City Junior College, OK
Bossier Parish Community College, LA
East Arizona College, AZ
Bakersfield College, CA
West Hills College, CA
Cypress College, CA
Fullerton College, CA
Gavalon College, CA
Los Angeles-Pierce College, CA

Sacramento City College, CA
Merced Community College, CA
Mira Costa Community College, CA
Napa Valley Community College, CA
San Diego-Mesa College, CA
San Jose City College, CA
Santa Monica College, CA
Sierra College, CA
Victor Valley College, CA
Arapaho Community College, CO
Miles Community College, MT
New Mexico Junior College, NM
Blue Mountain Community College, OR
Clatsop Community College, OR
College of Eastern Utah , UT
Bellvue Community College, WA
Tacoma Community College, WA
DeAnza College, CA
Clackamas Community College, OR
Pikes Peak Community College , CO
South Seattle Community College, WA
Los Angeles Mission College, CA

SPECIAL MISSION COLLEGES

University of Illinois Center, IL
SUNY Environmental Science and Forestry. NY
University of Connecticut School of Medicine, CT
University of Houston - Health Sciences, TX

UNIVERSITIES

1981-82

University of South Dakota, SD
University of North Dakota, ND
Indiana State University-Main, IN
Western Michigan University, MI
University of Iowa, IA
Purdue University, IN
University of Wisconsin-Madison, WI
University of North Carolina-Greensboro, NC
Kent State University-Main, OH
University of Maryland-College Park, MD
University of Maine-Orono, ME
University of Mississippi-Main, MS
University of Arkansas-Main, AR
University of Louisville, KY
University of Kentucky, KY
Texas Tech University, TX
University of Florida-Gainesville, FL
University of California at Santa Cruz, CA
Washington State University, WA
University of California at Berkeley, CA
University of Montana, MT

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COMPREHENSIVE - COLLEGES AND UNIVERSITIES

Peru State College, NE
Metropolitan State University, MN
Minot State College, ND
Indiana State University-Evansville, IN
Saginaw Valley State College, MI
Northwest Missouri State University, MO
Winona State University, MN
Washburn University of Topeka, KS
Grand Valley State College, MI
University of Wisconsin-LaCrosse, WI
Oakland University, MI
Southwest Missouri State University, MO
Eastern Michigan University, MI
Concord College, WV
Lock Haven State College, PA
Central State University, OH
Mansfield State College, PA
Frostburg State College, MD
University of North Carolina-Wilmington, NC
North Carolina Central University, NC
University of Baltimore, MD
Slippery Rock State College, PA
George Mason University, VA
William Paterson College, NJ
Youngstown State University, OH
University of Maine-Farmington, ME
North Adams State College, MA
University of New Hampshire Plymouth State College, NH
Framingham State College, MA
State University of New York College at Cortland, NY
Bridgewater State College, MA
State University of New York College at Cortland, NY
Bridgewater State College, MA
State University of New York College at Brockport, NY
City University of New York Queens College, NY
University of Oklahoma Science & Arts, OK
Savannah State College, GA
Mississippi University for Women, MS
Louisiana State University in Shreveport, LA
Augusta College, GA
Florida Agricultural and Mechanical University, FL
West Texas State University, TX
Louisiana Technical University, LA
Stephen F. Austin State University, TX
University of Texas, El Paso, TX
Fora Valley State College, GA
Mississippi Valley State University, MS
South Carolina State College, SC
Midwestern State University, TX
McNeese State University, LA
Angelo State University, TX
Southeastern Louisiana University, LA
Florida Atlantic University, FL
Central State University, OK

Lewis-Clark State College, ID
Southern Oregon State College, OR
Eastern Washington University, WA
Portland State University, OR
California State University-Northridge, CA
University of Hawaii-Hilo, HI
Western State College-Colorado, CO
California State University-Hayward, CA
California State Polytechnic University-Pomona, CA

LIBERAL ARTS COLLEGES

Mayville State College, ND
Lincoln University, PA
University of Maine at Mathias, ME
University of South Carolina at Aiken, SC

TWO-YEAR COLLEGES

Southwestern Community College, IA
Brainerd Community College, MN
Itasca Community College, MN
West Shore Community College, MI
Haskell Indian Junior College, KS
Seward County Community College, KS
Mineral Area College, MD
Black Hawk College East Campus, IL
Highland Community College, KS
Scott Community College, IA
East Central Missouri District Junior College, MO
Highland Community College, IL
Southeastern Illinois College, IL
Maple Woods Community College, MD
Iowa Central Community College, IA
Northwestern Michigan College, MI
Rochester Community College, MN
Anoka-Ramsey Community College, MN
Morton College, IL
North Dakota State School of Science, ND
Western Wisconsin Technical Institute, WI
Waubonsee Community College, IL
Lewis and Clark Community College, IL
Elgin Community College, IL
St. Louis Community College-Forest Park, IL
City Colleges of Chicago Wright College, IL
St. Louis Community College at Florissant Valley, MO
William Rainey Harper College, IL
Milwaukee Area Technical College, WI
Garret Community College, MD
Roanoke-Chowan Technical College, NC
Blue Ridge Technical College, NC
Edgecome Technical College, NC
Ohio University Zanesville Branch, OH
Pennsylvania State University-Worthington Scranton Campus, OH

Ohio University Chillicothe Branch, OH
Nash Technical Institute, NC
Pennsylvania State University-New Kensington Campus, PA
Dabney S. Lancaster Community College, VA
Robeson Technical College, NC
North Central Technical College, OH
Craven Community College, NC
Kent State University Trumbull Regional Campus, OH
Southeastern Community College, NC
Mountain Empire Community College, VA
Lenoir Community College, NC
Forsyth Technical Institute, NC
Lehigh County Community College, PA
Luzerne County Community College, PA
Central Virginia Community College, VA
Atlantic Community College, NR
Thomas Nelson Community College, VA
Essex County College, NJ
J. Sargeant Reynolds Community College, VA
Montgomery College Rockville Campus, MD
Central Piedmont Community College, NC
North Country Community College, NY
Sullivan County Community College, NY
Thames Valley State Technical College, CT
Northwestern Connecticut Community College, CT
State University of New York College at Cobleskill, NY
Corning Community College, NY
State University of New York College at Morrisville, NY
Berkshire Community College, MA
Bristol Community College, MA
Bunker Hill Community College, MA
Springfield Technical Community College, MA
City University of New York BronxCommunity College, NY
City University of New York Burough at Manhattan Community College, NY
Nassau Community College, NY
East Central Junior College, MS
Patrick Henry State Junior College, AL
Louisiana State University-Eunice, LA
Southern University Shreveport-Bossier City Campus, LA
Panola Junior College, TX
Holmes Junior College, MS
Itawamba Junior College, MS
Copiah-Lincoln Junior College, MS
Mississippi Delta Junior College, MS
Piedmont Technical College, SC
Northern Oklahoma College, OK
College of the Mainland, TX
South Plains College, TX
Gadsden State Junior College, AL
John C. Calhoun State Community College, AL
Daytona Beach Community College, FL
Del Mar College, TX
Richland College, TX

Tarrant County Junior College, TX
Northeast Mississippi Junior College, MO
Wharton County Junior College, TX
Columbia State Community College, TN
Macon Junior College, GA
Northeastern Oklahoma Agricultural and Mechanical College, OK
Brazosport College, TX
Edison Community College, FL
Lee College, TX
Southern Oklahoma City Junior College, OK
Valencia Community College, FL
Hillsborough Community College, FL
Navajo Community College, AZ
Porterville College, CA
Lassen College, CA
Maricope Technical Community College, AZ
Los Medanos College, CA
Aims Community College, CO
Evergreen Valley College, CA
Skagit Valley College, VA
Edmonds Community College, WA
Banstow College, CA
Gavilan College, CA
Peninsula College, WA
Eastern Arizona College, AZ
Napa College, CA
Tacoma Community College, WA
Colorado Mountain College, CO
Sierra College, CA
Merced College, CA
Southwestern College, CA
Spokane Falls Community College, WA
Foothill College, CA
Los Angeles Valley College, CA
Pima Community College, AR
Olympic College, WA
Western Nevada Community College, NV
Spokane Community College, WA
Modesto Junior College, CA
Santa Ana College, CA
Fullerton College, CA
Santa Monica College, CA
City College of San Francisco, CA
University of Minnesota Technical College at Crookston, MN
Indiana Vocational Technical College-Southwest, IN
Delaware Technical and Community College Southern Camus, DE
Community College of Beaver County, PA

Special - Mission Colleges

New Mexico School of Mines, NM
Colorado School of Mines, CO
University of Arkansas Medical Sciences Campus, AR
University of Texas Health Science Center at Houston, TX
State University of New York Upstate Medical Center, NY
State University of New York College of Environmental Sciences and Forestry, NY
South Dakota School of Mines and Technology, SD

Appendix F

STUDENT AID RECIPIENT SURVEY
ACADEMIC YEAR 1983-84

ALL RESPONSES MUST BE APPROPRIATE CHECKS, ACTUAL AMOUNTS, OR CODE NUMBER. BLANKS, DASHES, N/A, ETC. ARE NOT ALLOWABLE FOR ACCURATE DATA.
PLEASE READ SURVEY DEFINITIONS BEFORE STARTING.

Student Data

1 School FICE Code __________ 2 Student Study ID __________

3 Registration Status [11]
- (1) Full Time
- (2) ¾ Time
- (3) ½ Time
- (4) Less than ½ Time

4 Academic Level [12]
Undergraduate
- (1) First Year
- (2) Second Year
- (3) Third Year
- (4) Fourth Year
- (5) Fifth Year Undergraduate

Post-Baccalaureate
- (6) First Professional Medical, Vet Medicine, Law, Theology
- (7) All Other Graduate Degrees
- (8) All Other Post-Baccalaureate, Non-Degree

5 Period Covered By Award [13]
- (1) One Academic Year
- (2) One Semester
- (3) One Trimester
- (4) One Quarter
- (5) Two Quarters
- (6) Other __________

6 State of legal residence (see Definition No. 5) [14-15] (__________)

7 Local Residence [16]
- (1) Campus owned/controlled housing
- (2) In community (off campus)
- (3) At home with parents

8 Age [17-18] (__________)

9 Sex [19]
- (1) Male
- (2) Female
- (9) Unknown/unreported

10 Minority Code [20]
- (1) Black
- (2) American Indian/Alaskan Indian
- (3) Asian/Pacific Islander
- (4) Hispanic
- (5) White
- (9) Unknown/unreported

11 Marital Status [21]
- (1) Single
- (2) Married
- (3) Divorced
- (4) Separated
- (5) Widowed
- (9) Unknown/unreported

12 Dependency Status (for aid purposes) [22]
- (1) Dependent (Go to Question 13)
- (2) Independent (Go to Question 14)
- (3) Unknown (Go to Question 15)

Dependent Student's and Parents' Information

13A Total number in parents' family (______) [23-24]
13B Number of parents' family in college at least ½ time (______) [25-26]
13C Parents' IRS adjusted gross income (______) [27-37]
13D Parents' Federal income tax paid (______) [38-48]
13E Amount earned by father (______) [59-69]
13F Amount earned by mother (______) [70-80]
13G Parents' non-taxable income (______) [81-91]
13H Allowable medical expenses (______) [92-102]
13I Unreimbursed elementary and secondary school tuition and fees (______) [103-113]
13J Assets: parents' home equity (______) [114-124]
13K Assets: parents' small business/farm (______) [#2[10-20]]
13L Payments to parents' IRA/KEOGH (______) [21-31]
13M Parents' other assets (______) [32-42]
13N Student's (and spouse's) IRS adjusted gross income (______) [43-53]
13O Amount earned by student (______) [54-64]
13P Amount earned by spouse (______) [65-75]
13Q Student's (and spouse's) income tax paid (______) [76-86]
13R Student's (and spouse's) non-taxable income (______) [87-97]
13S Student's expected summer earnings (______) [98-108]
13T ½ Student's Veteran's Educational Benefits (______) [109-119]
13U Net assets of student (and spouse) (______) [#3[10-20]]
13V Parents' expected contribution Pell Formula (______) [21-31]
13W Parents' expected contribution Uniform Methodology (______) [32-42]
13X Student's (and spouse's) expected contribution Pell Formula (______) [43-53]
13Y Student's (and spouse's) expected contribution Uniform Methodology (______) [54-64]

Independent Student's (and Spouse's) Information

14A Student's (and spouse's) number of dependent children (______) [65-66]
14B Number of student's (and spouse's) family in college at least ½ time (______) [67-68]
14C Student's (and spouse's) IRS adjusted gross income (______) [69-79]
14D Amount earned by student (______) [80-90]
14E Amount earned by spouse (______) [91-101]
14F Student's (and spouse's) income tax paid (______) [102-112]
14G Student's (and spouse's) non-taxable income (______) [113-123]
14H Student's expected summer earnings (______) [#4[21-31]]
14I Assets: student's (and spouse's) home equity (______) [32-42]
14J Assets: student's (and spouse's) business/farm (______) [43-53]
14K Payments to student's (and spouse's) IRA/KEOGH (______) [54-64]
14L Assets: student's (and spouse's) other assets (______) [65-75]
14M ½ Student's Veteran's Educational Benefits (______) [76-86]

14N Student's (and spouse's) expected contribution Pell Formula (________) [87-97]
14O Student's (and spouse's) expected contribution Uniform Methodology (________) [98-108]

Student Costs

15 Tuition/fee cost for this student (________) [109-113]
16 Room and board charge for this student (________) [114-118]
17 All other budgeted costs for this student (________) [119-123]
18 Total budgeted costs for this student (________) [#5[10-14]]

Institutional Aid

19 Non-need based Academic scholarship (________) [15-19]
20 Other non-need based scholarship (________) [20-24]
21 Need-based grant (________) [25-29]
22 Non-CWSP on-campus earnings (estimated academic year earnings) (________) [30-34]
23 Fellowship awards (________) [35-39]
24 Assistantship awards (________) [40-44]
25 Institutional long-term loans (non-FISL/GSL) (________) [45-49]
26 Institutionally financed FISL/GSL loans (________) [50-54]
27 Employee benefit discount/waivers (________) [55-59]
28 Employee benefit dependent discount/waivers (________) [60-64]
29 All other institutional aid (________) [65-69]

Federal Aid

30 Pell Grant (________) [70-74]
31 SEOG (________) [75-79]
32 NSDL (________) [80-84]
33 CWSP (________) [85-89]
34 FISL/GSL loan to student (________) [90-94]
35 PLUS loan to parents (________) [95-99]
36 ALAS loan to independent students (________) [100-104]
37 Social Security payments (________) [105-109]
38 Health Profession Grant (academic year) (________) [110-114]
39 Health Profession Loan (academic year) (________) [115-119]
40 Nursing Grant (________) [120-124]
41 Nursing Loan (________) [#6[10-14]]
42 All other Federal Aid (________) [15-19]

State Aid

43 Merit-based grant (________) [20-24]
44 Need-based grant (including SSIG) (________) [25-29]
45 Entitlement grant (________) [30-34]
46 Campus-based grant (________) [35-39]
47 State college work study (not CWSP) (________) [40-44]
48 Rehabilitation grant (________) [45-49]
49 All other state aid (________) [50-54]

All Other Aid

50 Outside/private grants/scholarships (________) [55-59]
51 Outside/private loans (________) [60-64]
52 Off-campus earnings of record (________) [65-69]

General Instructions

All student cost and financial aid information should reflect the period from September through June of the study year. **Do not include summer school.**

The data provided should reflect each student's financial situation as reported to the school on the FAF, FFS or other approved aid eligibility form.

Please do not use a zero (0) to indicate unknown or unreported data or information. **Unknowns are indicated by using "minus nine" (−9).**

Please keep a list of the students used for this project, showing actual student ID number and the special ID number you used for this study. If we need to ask you any questions you may need to refer back to the actual student records.

Survey Definitions and Clarifications

1 **School FICE Code**: The 6-digit code assigned by the Federal Interagency Committee on Education. One or both of the first two digits may be zero.

2 **Student Study ID**: Assign a number to this student's record for any future reference. **Four digits maximum.** Must **not** be student's regular ID.

6 **State of Legal Residence**: As reported by the student. Use a 2-digit code (i.e. Alabama = 10)

10 Alabama
11 Alaska
12 Arizona
13 Arkansas
14 California
15 Colorado
16 Connecticut
17 Delaware
18 District of Columbia
19 Florida
20 Georgia
21 Hawaii
22 Idaho
23 Illinois
24 Indiana
25 Iowa
26 Kansas
27 Kentucky
28 Louisiana
29 Maine
30 Maryland
31 Massachusetts
32 Michigan
33 Minnesota
34 Mississippi
35 Missouri
36 Montana
37 Nebraska
38 Nevada
39 New Hampshire
40 New Jersey
41 New Mexico
42 New York
43 North Carolina
44 North Dakota
45 Ohio
46 Oklahoma
47 Oregon
48 Pennsylvania
49 Rhode Island
50 South Carolina
51 South Dakota
52 Tennessee
53 Texas
54 Utah
55 Vermont
56 Virginia
57 Washington
58 West Virginia
59 Wisconsin
60 Wyoming
61 Guam
62 Puerto Rico
63 Virgin Islands
64 Other

13 **Dependent Student's and Parents' Information**: Complete items in this section only if the student is classified as dependent. Enter zero (0) only for actual zero amounts; use "minus nine" (−9) for unknown or unreported information.

14 **Independent Student's (and Spouse's) Information**: Complete items in this section only if the student is classified as independent. Enter zero (0) only for actual zero amounts; use "minus nine" (−9) for unknown or unreported information.

15 **Tuition/Fee Cost**: The major tuition/fee charge or portion of total costs that represents tuition and fees. Please do not leave blank.

16 **Room and Board Charge for this Student**: Enter the room and board charge used in computing this student's total budgeted cost. Use CSS or ACT average if no other amount is available. "0" is not an allowable entry.

17 **All Other Budget Costs**: Enter an estimated amount for all students based on local rules. If necessary, use CSS or ACT average amount. PLEASE DO NOT INCLUDE ANY ROOM OR BOARD CHARGES ON THIS LINE. Enter "0" only for actual zero other costs.

18 **Total Budgeted Costs**: This entry must equal the total lines 15, 16, and 17.

19 **Non-need Based Academic Scholarship**: Enter amount awarded in institutional academic scholarships that are awarded without regard to financial need.

20 **Other Non-need Based Scholarship**: Enter amount awarded in institutional scholarships that are influenced by neither financial need nor academic ability. Examples may be athletic or music scholarships.

26 **Institutionally-financed FISL/GSL Loans**: Enter an amount here only if the institution serves as a FISL/GSL loan agent.

27-28 **Employee Benefit Tuition Discount/Waiver**: Enter the value of discounts or waivers given to employees or their dependents.

50-52 **All Other Aid**: Include only those items of record. Estimates or guesses should not be reported.

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STUDENT AID RECIPIENT SURVEY
ACADEMIC YEAR 1981-82

ALL RESPONSES MUST BE APPROPRIATE CHECKS, ACTUAL AMOUNTS, OR CODE NUMBER BLANKS. DASHES, N/A, ETC. ARE NOT ALLOWABLE FOR ACCURATE DATA.
PLEASE READ SURVEY DEFINITIONS BEFORE STARTING

Student Data

1. School FICE Code ________ 2. Student Study ID ________

3. Registration Status [11]
   (1) Full Time
   (2) Part Time
   (3) Less than Part Time

4. Academic Level [12] Undergraduate
   (1) First Year
   (2) Second Year
   (3) Third Year
   (4) Fourth Year
   (5) Fifth Year

   Beyond Baccalaureate or Fifth Year
   (6) First Professional Medical, Dental, Other Health Professions
   (7) All Other First Professional
   (8) All Other Post-Baccalaureate

5. State of legal residence (see Definition No. 5) [13-14] (________)

6. Local Residence [15]
   (1) On Campus
   (2) In community (off campus)
   (3) At home

7. Age [16-17] (________)

8. Sex [18]
   (1) Male
   (2) Female
   (9) Unknown

9. Minority Code [19]
   (1) Black
   (2) American Indian/Alaskan Indian
   (3) Asian/Pacific Islander
   (4) Hispanic
   (5) White
   (9) Unknown

10. Marital Status [20]
    (1) Single
    (2) Married
    (3) Divorced
    (4) Separated
    (5) Widowed
    (9) Unknown

11. Student's number of dependent children [21-22] (________)

12. Dependency Status [23]
    (1) Dependent (for aid purposes)
    (2) Independent (for aid purposes)

Family Resources

13. Parents' IRS adjusted gross income (________) [24-30]
    13A. Amount earned by father (________) [31-37]
    13B. Amount earned by mother (________) [38-44]
    13C. Parents' non-taxable income (________) [45-51]
    13D. One-half Student's Veterans Educational Benefits (________) [52-58]
    13E. Parents' Federal income tax paid (________) [59-63]
    13F. Total number in parents' family (________) [64-68]
    13G. Unusual medical expenses (________) [69-73]
    13H. Unreimbursed elementary and secondary school tuition & fees (________) [74-78]
    13J. Net assets of student (and spouse) (________) [79-83]
    13K. Student's (and spouse's) non-taxable income (________) [84-88]
    13L. Student's (and spouse's) income tax paid (________) [89-93]
14. Assets: parents' home equity (________) [#2[31-37]]
15. Assets: parents' small business/farm (________) [38-44]
16. Parents' other assets (________) [45-51]
17. Student's IRS adjusted gross income (________) [52-58]
18. Parents' expected contribution (________) [59-63]
19. Student's expected contribution (________) [64-68]
20. Number of parents' (or student's) family in college (________) [69-70]

Student Costs

21. Tuition/Fee cost for this student (________) [71-75]
22. Room charge for this student (________) [76-80]
23. Board charge for this student (________) [81-85]
24. All other budgeted costs for this student (________) [86-90]
25. Total budgeted costs for this student (________) [91-95]

Institutional Aid

26. Non-need-based grant (________) [96-99]
27. Need-based grant (________) [100-103]
28. On-campus earnings (estimated academic year earnings) (________) [104-107]
29. Fellowship Awards (________) [108-111]
30. Assistantship Awards (________) [112-115]
31. Loans (________) [116-119]
32. FISL/GSL Loans (institutionally financed) (________) [120-123]
33. Employee Benefit Discount/Waivers (________) [#3[11-15]]
34. Employee Benefit Dependent Discount/Waiver (________) [16-20]
35. All other Institutional Aid (________) [21-25]

Federal Aid

36. Pell Grants (________) [26-29]
37. SEOG (________) [30-33]
38. NDSL (________) [34-37]
39. CWSP (Estimated Academic Year Earnings) (________) [38-41]
40. Veteran's Admin. Payments (________) [42-45]
41. Social Security Payments (________) [46-49]
42. Health Professions Grant (________) [50-54]
43. Health Professions Loan (________) [55-59]
44. Nursing Grant (________) [60-64]
45. Nursing Loan (________) [65-69]
46. All other Federal Aid (________) [70-73]

State Aid

47. Merit-based grant (________) [74-77]
48. Need-based grant (include SSIG) (________) [78-81]
49. Entitlement grant (________) [82-85]
50. Campus-based grant (________) [86-89]

51 College Work Study (______) [90-93]
52 Rehabilitation grant (______) [94-97]
53 All other state aid (______) [98-101]

All Other Aid

54 Grants of Record (______) [102-106]
55 Loans of Record (______) [107-111]
56 FISL/GSL Loans from other sources (______) [112-116]
57 Off campus earnings of record (______) [117-121]

Survey Definitions And Clarifications

1 **School FICE Code**. The 6-digit code assigned by the Federal Interagency Committee on Education. One or both of the first two digits may be zero.

2 **Student Study ID**: Assign a number to this student's record for any future reference. Four digits maximum. Must **not** be students regular ID.

3 **Registration Status**: Part time must be at least 50% of normal full time as defined by the institution.

4 **Academic Level**: As recorded by the institution.

5 **State of Legal Residence**: As reported by the student. Use a 2-digit code.

10 Alabama
11 Alaska
12 Arizona
13 Arkansas
14 California
15 Colorado
16 Connecticut
17 Delaware
18 District of Columbia
19 Florida
20 Georgia
21 Hawaii
22 Idaho
23 Illinois
24 Indiana
25 Iowa
26 Kansas
27 Kentucky
28 Louisiana
29 Maine
30 Maryland
31 Massachusetts
32 Michigan
33 Minnesota
34 Mississippi
35 Missouri
36 Montana
37 Nebraska
38 Nevada
39 New Hampshire
40 New Jersey
41 New Mexico
42 New York
43 North Carolina
44 North Dakota
45 Ohio
46 Oklahoma
47 Oregon
48 Pennsylvania
49 Rhode Island
50 South Carolina
51 South Dakota
52 Tennessee
53 Texas
54 Utah
55 Vermont
56 Virginia
57 Washington
58 West Virginia
59 Wisconsin
60 Wyoming
61 Guam
62 Puerto Rico
63 Virgin Islands
64 Other

6 **Local Residence**: Any campus housing is defined as on-campus.

11 **Student's Number of Dependent Children**: Code 0 for none. Code 9 if unknown.

13 **Parents' Income**: Code 1 if FAF not submitted by choice, or not requested by college. Code 9 if unknown. Code 0 **ONLY for actual zero dollar income**.

Items 13A through 13L were taken directly from the Basic Grant Formula published by U.S. Department of Education. Concise item definitions can be found in that document which you should have in your files. Code 9 if unknown. Code 0 **ONLY for actual zero dollar amounts**.

14 **Assets—Parents' Home Equity**: Code 1 if not requested or refused. Code 9 if unknown for any other reason.

Items 14-16 refer to parents of dependent students only. Student asset information should be entered in Item 13J.

15 **Assets—Parents' Small Business/Farm**: Code 1 if not requested or refused. Code 9 if unknown for any other reason.

16 **Parents' Other Assets**: Code 1 if not requested or refused. Code 9 if unknown for another other reason.

17 **Student's IRS Adjusted Gross Income**: Code 1 if not requested or refused. Code 9 if unknown for any other reason.

21 **Tuition/Fee Cost**: The major tuition fee charge or portion of total costs that represents tuition and fees. Please do not leave blank.

22 **Room Charge**: Enter the room charge used in computing this student's total budgeted costs. Use CSS average if no other calculation is available. "0" is not an allowable entry. If a single charge is made for board and room, divide uniformly by some reasonable percentage. Please do not leave blank.

23 **Board Charge**: Enter the board charge used in computing this student's total budget costs. Use CSS average if no other calculation is available. "0" is not an allowable entry. If a single charge is made for board and room, divide uniformly by some reasonable percentage. Please do not leave blank.

24 **All Other Budgeted Costs**: Enter an estimated amount for all students based on local rules. If necessary, use CSS average amount. PLEASE DO NOT INCLUDE ANY ROOM OR BOARD CHARGES ON THIS LINE. Enter "0" only for actual zero other costs.

25 **Total Budgeted Costs**: This entry must equal the total of lines 21, 22, 23, and 24.

26 Uses the term "non need based" instead of "merit" to identify students receiving grants without regard to need, whether or not merit is taken into consideration.

30 **On-Campus Earnings**: Enter the amount you expect this student to earn. Not to be confused with CWSP earnings reported in Item 39.

31 **Loans**: Enter loans from institutional funds that are **NOT** backed by FISL/GSL agreements.

33-34 **Employee Benefit Tuition Discount/Waiver**: Enter the value of discounts or waivers given to employees or their dependents.

48 **State Need-based Grant**: State Student Incentive Grant funds to be included in this amount.

54 to 57
All Other Aid: Include only those items of record. Estimates or guesses should not be reported.

APPENDIX G

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Appendix H

Table 1a

Resources and Expenditures At Three Types of Institutions for
AID1 and AID2 Recipients by Dependency Status

			Dependent			
	Two Year		Comprehensive		Research	
	AID1	AID2	AID1	AID2	AID1	AID2
Resources						
Grants						
1981	$1203	$88	$1242	$ 69	$1271	$140
1983	1144	30	401	69	1402	102
Loans						
1981	337	2013	796	3208	1099	2370
1983	454	1906	813	2050	1152	2094
Work						
1981	287	74	384	203	332	86
1983	255	11	455	131	425	13
Other						
1981	38	23	77	28	186	48
1983	24	4	47	17	59	39
Total						
1981	1865	2198	2499	3508	2888	2644
1983	963	1950	1252	2267	1359	2049
Expenditures						
Tuition						
1981	631	1120	893	917	1393	1254
1983	713	921	1143	1207	1513	1502
Total						
1982	3245	3682	3742	4069	4760	4417
1983	3347	3957	4235	4391	5006	4779

Table 1b

Responses and Expenditures At Three Types of Institutions For AID-1 and AID-2 Recipients by Dependency Status

	Two Year		Independent Comprehensive		Research	
	AID1	AID2	AID1	AID2	AID1	AID2
Resources						
Grants						
1981	$1056	$134	$1407	$ 97	$1338	$395
1983	1059	35	1419	96	1333	431
Loans						
1981	466	2286	854	3566	1293	2815
1983	640	2146	503	2012	1495	2292
Work						
1981	372	181	518	95	502	88
1983	284	15	609	515	792	026
Other						
1981	64	49	73	11	240	128
1983	45	46	60	66	92	31
Total						
1981	2089	2613	2789	3748	3592	3360
1983	2028	2241	3036	2688	3712	2780
Expenditures						
Tuition						
1981	483	418	815	924	1161	1133
1983	543	612	1013	1080	1338	1324
Total						
1981	6614	5883	5578	6433	5616	5681
1983	5679	6131	6099	5141	6558	5984

Mr. HORN. I would like to particularly thank the Chair and the members of this committee for the wisdom they have shown over more than a decade in constructing a system of legislation and guiding its implementation to the best degree that a legislative body can to assure that access is provided for a wide range of Americans. We are, obviously, in a very changing situation in America in terms of an increasing number of minority students, increasing number of students of all ages who wish to attend college.

The American family is changing. We know that only 10 percent of the American family is in that traditional mode of mother staying at home, two children going through school and maybe spending only 4 years in college, if they have an opportunity to college. The fact is that many families, we have single-parent families, we have divorces. We need to provide a system of assistance to help people develop their human potential, and that might mean they are in college not simply 4 years, not simply 5 years, maybe not even 6 or even years, but as I have had cases in commencements where I chat with each student as we graduate them in nine different commencements, some women have taken 25 and 28 years to go through school.

So we have a wide range of people that this aid system is designed to help and address. And what the American Association of State Colleges and Universities would like to suggest to the committee is that there are seven areas we feel need some change and attention to make an even better system than this committee and the Congress have already provided.

One is to have annual increases in the maximum Pell grant of about $200 each academic year, so that by the 1990's we would be where we should have been if the 1980 amendments had been fully carried out. As you know, under the 1980 amendments the maximum Pell grant for 1985-86 should have been $2,600. If we take the $200 per year incremental policy, that would get us in 1990-91 to a maximum of $3,400. If we limit that to 70 percent of costs, we do not think that is unreasonable in light of where the costs will be by 1990, and the cost of higher education representing a broad diversity of institutions of which it is a part.

Second, we would like to see an increase in the living allowances for all students of about $100 each academic year. Again that does not seem unreasonable given the state of changing life-style in terms of dependency-independency, which I will mention in a minute, and the general cost of living.

The statutory limit of 70 percent I have mentioned. We agree with the concept that not all of the cost should be provided. That there should be various efforts at self-help and that there should be a variety of student financial aid besides the flat Pell grant, and we think the present mix has worked very successfully. We merely feel that the statutory limit ought to be raised, because if we are to provide access, we have to recognize as college costs get higher that it is increasingly difficult to meet that other percentage of self-help.

Many have talked to this committee about a single needs analysis system. We agree with those ideas. We think that makes sense. Many have talked to this committee over the years about improved Federal aid student delivery. Financial aid directors will tell you of the troubles they have had when allocations cannot be made in a timely way, and the thousands that are dependent upon this system really get discouraged from attendance given that situation.

I want to particularly stress the problems of part-time students, which I have already alluded to. And I also want to suggest on behalf of my colleagues and ask you that we think about a program to remedy the inability that we have had at this point in American colleges and universities to secure American Indian, Hispanic, black, female members of our college faculties. We think a lot more has to be done. What we will be suggesting is a loan forgiveness program to provided the individual who secures their terminal degree works in an accredited American university on a year-for-year basis. We think that is important.

I might just go into some of these areas in a little more depth, Mr. Chairman. I mentioned the single needs analysis interests have asked you. We agree with the proposals of the National Student Aid Coalition to create this type of system. We are particularly concerned about independent students with dependents; that they should have their income treated the same way as students from dependent families. This committee included that provision in 1980. It has just never been implemented. We think there is no sound reason for treating independent students with dependents differently than students from dependent families and that their income and assets should be assessed in exactly the same manner.

In terms of independent students, of which increasingly we have them, and we certainly do in the American community colleges as well as the American State universities. The fact is that there needs to be a better way to simplify the whole process. The American Council on Education has submitted a definition to you. Generally we agree with that. We do have one major difference, and that is we believe that financial information should not be required of students who are 22 years of age or older by January 1 of the award year.

We think for too long that sort of 17 to 21 mythology has predominated in American higher education and it just doesn't relate to reality. Increasingly students have stopped out, dropped out, after high school to work for a living or they go a few years to school and because of rising expenses they decide to take a semester or a year off, or they have changing aspirations in careers and they come back into the higher education system at an older age. They are not simply going through in lock-step manner, I think as we all recognize at age 17 and 4 years later have the imprimatur of a baccalaureate stamped on their forehead.

So we think that this recognition has to continue to be made. We know this committee recognizes that, and we would encourage further Federal policy in that direction. Certainly, if we are to encourage graduate education, we think graduate students, professional students, should be declared independent immediately upon admission to these schools.

I think many young people are discouraged from going to graduate school because of the high costs and not wishing to put an additional burden on their families. And so we think that those proposals make a lot of sense.

Commuting students, this committee has heard much testimony over the year on the problems of how we treat commuting students differently than those on campus. There are very real costs for students, even though they live at home. There are transportation costs, which can be very prohibitive in many rural and urban areas, and we think the allowance system should be changed for commuting students. We agree with the recommendations that have been made by the Coalition for Aid to Part-Time Students in this regard.

Many witnesses have testified on student aid delivery. We agree with the endorsement of the master calendar, with student aid information and counseling. I have given to the members of the committee the packet that California State University, Long Beach, distributes to each student who has an interest in financial aid. We think financial aid has come a long way in the last decade in terms of the professionalism with which it has been administered compared to when it started several decades ago.

We try to educate students not only in writing, but in personal counseling, so that they know their responsibilities to repay the obligations that they and, in some cases, their families have assumed. In terms of delivery, we feel very strongly that it should be made very clear that parents are not to be charged a fee, and neither are students, for applying for Federal financial assistance. We hear in some cases that still occurs. That doesn't make any sense in terms of discouragement. We do feel that there ought to be a national advisory committee on student financial assistance to advise the Congress, made up of experts as well as perhaps some recipients who really can tell you how the system works, so that when proposals come up from various groups, including our own, there could be a thorough review as to the impact of those proposals on the financial aid system and the very real people that you are trying to serve as a result of that system.

Attached to our testimony is a list of Pell grant reauthorization proposals and the impact it would make on various levels of a student based on family contribution. We think that type of an analysis and a sifting through such an advisory committee could be helpful to the Congress over the years.

In terms of the forgivable loan program, which I mentioned earlier, I think some statistics are in order. Currently 25 percent of the students in the U.S. public schools are minorities. In my own State of California, 43 percent of all public school students are now minority; and, indeed, at the elementary level over half of the students are minorities. Yet, American colleges and universities do not reflect, and will not reflect by the 1990s when this wave is eligible for college admission, the makeup of the minority communities of this country. And if we are going to have black faculty, if we are going to have Hispanic faculty, if we are going to have more women on the faculty, more American Indians on the faculty—we need to do something more than we are doing to produce that type of educated professoriate which can serve as role models for that wave of students that will be eligible for college admission now to some degree and increasingly in an avalanche in the nineties.

The fact is while blacks and Hispanic high school graduation rates are increasing, the college-going rates are declining. We all know there are dropout problems long before the end of high school: Sixth grade discouragement, failure to encourage members of minority groups and, really, others—females still, despite female astronauts—into taking science, into taking engineering, into taking the necessary preparatory skills that one needs to pursue an academic education across the board and not to be denied opportunities.

In 1981, blacks received only 4.2 percent of the Ph.D.'s awarded. By field, the black students ranged in Ph.D.'s from less than 1 percent in physics and earth sciences to 8.8 percent in education. Hispanics received about 1.3 percent of all the doctorates during that same period which, according to the field of study, ranged from less than a half percent of all degrees in engineering to 1.4 percent of degrees in arts and the humanities.

We all know that in many colleges over half the students are women. Many of the professional schools, increasingly, almost half the students are women. Women comprise 27 percent of all full-time faculty nationwide in 1981. That same year they earned 31.8 percent of the doctorate degrees.

I think there still is a crisis in American higher education as to how we provide the individuals with the terminals degrees so that we can fill the faculties that we need in this country in the 1990's. I think the trends we have seen with minority college enrollments declining should be alarming to us all. But if we are going to turn that around, we need more minority and female professionals at all levels of the educational system.

I want to again thank the committee. The American Association of State Colleges and University, as you know, stands ready to work with you, Mr. Chairman, your colleagues and your staff and develop proposals in this area, and we commend you again for the leadership which you have consistently given this field over the years.

Thank you.

Mr. Ford. Thank you.

[The prepared statement of George H. Hanford follows:]

Testimony of George H. Hanford, President of the College Board, Accompanied by Donald McM. Routh, University Director of Financial Aid, Yale University, and Chairman of the College Scholarship Service Assembly of the College Board, on Proposal for a National Commission on Student Assistance Standards at Hearings on the Reauthorization of the Higher Education Act

Mr. Chairman and members of the Subcommittee, I am George Hanford, President of the College Board. I am accompanied by Donald Routh, University Director of Financial Aid, Yale University, who is chairman of the College Scholarship Service Assembly of the College Board.

I appreciate the opportunity to appear this morning to discuss need analysis and our related proposal for creating a National Commission on Student Assistance Standards. We have advanced this proposal to help manage the inherent complexity of the aid system and reduce confusion for students who must rely on financial assistance from a variety of sources, federal and non-federal.

The College Board exists primarily to assist students in making the transition from high school to college and beyond. The College Scholarship Service, a part of the College Board, has participated in that effort for the past 30 years by seeking ways to eliminate barriers to higher education through financial aid. CSS was founded in 1954 by member institutions of the College Board who sought agreement on standards for awarding scholarships and other aid to students. From those early deliberations evolved the principle and practice, so widely accepted today, of awarding the bulk of aid dollars according to the documented financial need of students and their families.

Today, the mission of CSS, as in the mid-1950's, is to foster equity and consistency in the administration of student assistance. Some events in our not too distant past are worth recalling. In the mid-1970's, CSS was a leader in the formation of the National Task Force on Student Aid Problems, chaired by Francis Keppel, former U.S. Commissioner of Education. Thereafter, CSS became the first agency to implement the Task Force recommendations for a common form on which students can apply for all types of aid, and for a "uniform methodology" to determine family ability to pay for college.

The CSS Assembly is a membership organization within the College Board comprised of approximately 1500 postsecondary institutions, secondary schools and school systems, and educational organizations. Over 2500 postsecondary institutions and state agencies use variety of CSS services. Almost 2.5 million students annually file the CSS Financial Aid Form, or FAF, to apply for scholarship, loan, and work-study aid from federal, state, institutional, and private sources.

Mr. Chairman, I am honored to have the opportunity to be here once again and continue the dialogue that we began in the 98th Congress. I believe that the College Board, its member institutions and agencies, have a special expertise on the topic under discussion today, and I share with you a concern that we do all that is possible to achieve the fundamental goal of Title IV—equal opportunity for higher education.

Our detailed proposal to establish a National Commission on Student Assistance Standards was submitted to you as legislative language on April 30, 1985. In this statement I shall highlight the background and rationale for that recommendation.

While the federal government generates over three-fourths of all student financial aid, states distribute over $1 billion of their own funds to students, and postsecondary institutions provide another $2.5 billion.[1] Making this joint financing system work requires flexibility and cooperation among many partners—federal and state agencies, private organizations, and colleges and universities. Even with such cooperation, however, it ultimately falls to the campus aid administrator to synthesize and interpret multiple rules, legislative mandates, administrative regulations, and private decisions from many aid providers in delivering support to the individual student.

Given the huge expansion of student aid in a relatively short period of time, and the diversity of programs and sources of assistance, it is not surprising that the system has become complex. Aid administrators necessarily accept such complexity as a way of life.

The challenge is to minimize and manage complexity, unpredictability and instability as they affect students and families coping with forms, deadlines, and rules. The problems inherent in the delivery system were documented by the National Commission on Student Financial Assistance in reports submitted to the Congress and the President before that study commission went out of existence in 1983, and this subcommittee has heard several previous witnesses speak on this subject.

One source of confusion and blockage in the delivery of student assistance is the tendency toward gridlock on crucial decisions at the federal level. Congress and the executive branch have frequently disagreed on student eligibility standards for federal funds under Title IV of the Higher Education Act, particularly the schedules of expected family contributions and determinations regarding allowable costs of college attendance. Indecision at the federal level obstructs timely and orderly delivery of aid throughout the system, makes it difficult for students and families to plan ahead, and inevitably runs counter to the goal of equalizing educational opportunity.

As Francis Keppel, Chairman of the National Student Aid Coalition, has observed, "a delivery system that integrates multiple sources of assistance cannot function in a pattern of fits and starts without seriously eroding the effectiveness of aid programs. Student financial aid, about all, needs stability to work well."

Since 1981, the National Student Aid Coalition has provided an informal deliberative and consultative mechanism for addressing these issues of methodology and timeliness. Under the Coalition's auspices, members of the student aid community work together each year to develop a common standard by which an individual student's need for federal campus-based dollars, state, private and institutional funds will be calculated. The product of these discussions is the annually revised and updated Uniform Methodology.

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[1] Trends in Student Aid: 1980-1984, Washington Office of the College Board, p. 5.

What is significant about this process is that all the financial aid partners, federal as well as non-federal, participate in shaping this common standard of ability to pay so that it meets their respective individual and collective requirements. The dynamics of this process, allowing for discussion, exchange and accommodation, have worked well and have discouraged the development of widely divergent need analysis systems at the state and institutional level. Most of all, students whose aid frequently comes from a variety of sources have benefitted from this consensus building process. Unfortunately, the Coalition, financed by foundation funds, is scheduled to expire in December, 1985.

The present reauthorization process, therefore, is an auspicious moment to propose and examine alternatives for the establishment of need analysis standards that all partners can use. To that end the College Board recommends creation of a formal intermediary body, a National Commission on Student Assistance Standards. We hardly claim originality for this concept; it has been discussed for at least a decade by groups like the National Task Force on Student Aid Problems (1975), the 1978 Aspen Institute Conference on Student Aid Policy, and the National Commission on Student Financial Assistance. It was advanced by Francis Keppel and the National Student Aid Coalition in Congressional testimony in 1983 and 1984.

In the College Board proposal, the National Commission on Student Assistance Standards will be an independent agency within the executive branch. Its primary function will be to advise the Secretary of Education on the standards and methods for need analysis to be utilized in federal student assistance programs. Further, the Commission will be charged with evaluating the extent to which these programs and the delivery system are achieving the objectives of student aid as established by the Higher Education Act.

We suggest that the Commission be composed of 18 members having special competence and knowledge in the provision of financial assistance to students in postsecondary education. We strongly urge that Commission membership be balanced to reflect the federal/non-federal partnership, legislative/executive branch interests, and party representation. In specifying the Commission membership, our intent is to create a cooperative decision-making process representative of all parties necessary to the effective delivery of student aid.

The maintenance of communications and timely decision-making among the Department of Education, Congress, institutions, state agencies, and private lenders are the crucial factors in the proper functioning of the delivery system. The Commission is intended to foster these objectives through a mandated formalized structure and calendar of operations.

In recommending the Commission, we are building upon the advisory and consultative requirements already imposed on the Secretary of Education by the Education Amendments of 1980 (Section 482 and Section 483 of current law). Further, the proposed membership of the Commission expands upon the concern expressed in Section 483 (a) and (c) of current law for the consideration of the interests of the non-federal partners in the decisionmaking process.

While we are by no means wedded to all the details of the structure we have proposed, we believe that, given the proper mandate and standing within the federal establishment, the Commission offers the best opportunity to reconcile the many conflicting pressures on the need analysis system and to help manage a process that is by its very nature complex. Let me tell you why.

We believe that this structure offers the potential for preserving a unified approach to need analysis and eligibility determination, which above all is in the interest of students. Although the standards recommended by the Commission and adopted by the Secretary will formally apply only to federal student aid funds, in our opinion the open consultative process inherent in the Commission's design will generate standards that can be endorsed and utilized by the entire educational community in awarding funds from all sources. The voluntary adoption of the Uniform Methodology under the Coalition's auspices is powerful evidence of the validity of this concept.

We readily admit that the Commission proposal is no panacea for the possiblility of deadlock or timing problems. Establishing a new structure will not magically dispel fundamental policy or budgetary disputes between the legislative and executive branches. We believe, however, that the combination of prescribed consultation, legislative intent, and dates certain for action, all built into the Commission's structure, offers a reasonable hope for continuity in need analysis so that students and families trying to make college going plans will not be stymied.

Mr. Chairman, let me assure you and members of the Subcommittee that our proposal is in no way intended to inhibit the Congressional prerogative to decide how federal dollars are spent. Congress would, of course, continue to set broad policy guidelines for incorporation into need analysis. The workings of the broadly based Commission we propose would ensure that legislative guidelines are translated into a flexible and equitable delivery system.

In presenting our recommendations today, Mr. Chairman, I know that there are counter proposals which favor legislating the specific details of federal need analysis. Under the banner of simplicity, stability and closer Congressional control, some argue that financial need and eligibility in all federal student aid programs should be analyzed in the same way, according to the same formula, as specifically prescribed by law. Quite frankly, we are uncertain that a single formula can be developed that would successfully integrate the requirements of all the parties that provide aid to students. More importantly, we disagree that the logic and values of need analysis should be written explicitly into the Higher Education Act.

With all due respect to the opposing point of view, Mr. Chairman, I have serious doubts, and I believe the Subcommittee should have serious doubts, about the advisability of such proposals to legislate full details of need analysis. Let me explain my concerns.

As we have learned over the past thirty years, need analysis is never a completely finished product. By its very nature it must be dynamic, always evolving and adjusting itself. This situation is the inevitable result of the environment, already described, in which student aid operates. A few examples will illustrate my point:

New insights are constantly being developed about how families support themselves and pay for college expenses. These insights, as they become clear, must be incorporated in need analysis. For example, a number of years ago, acting out of concern for the impact of double digit inflation on families, the financial aid community began indexing the tables in the Uniform Methodology. This occurred several years before similar adjustments were made in the federal tax code.

Similarly, need analysis must react to modifications in the tax law that alter the way income is presented in an accounting sense even though the income amount itself has not changed. The clearest example of this situation is the working couple adjustment, enacted to correct an inequity in the tax system, but which had an ancillary effect of redefining "adjusted gross income."

Other economic changes may affect the bases used in need analysis calculations. For example, each year the effect of inflation must be accounted for in the need analysis formula. On a more distant horizon, however, we must also be concerned about the fundamental equity of various allowances (for example, the medical expense offset) and be prepared to adjust them as appropriate.

Finally, the testimony offered by members of Congress earlier this morning about their special concerns in need analysis is illustrative of the fluidity of issues that rightfully should and must be considered.

To maintain a sensitive need analysis system, a governance mechanism is required that is fine tuned to the specific issues and can respond to them with flexibility, speed, and predictability. If, however, direct Congressional action is required before each such change can be evaluated and implemented, the result will be a process that is too cumbersome and static and thus may operate counter to the goals of student assistance.

No matter what view the subcommittee may take of our specific proposal, I hope that you will think long and hard before moving to write need analysis procedures and standards into the law. The positive accomplishments of Title IV—the opportunity provided millions of students—could be seriously diluted.

Mr. Chairman, I respectfully submit that the National Commission on Student Assistance Standards is an alternative that should be given serious consideration by your Subcommittee.

Thank you for giving me this opportunity to appear today. The College Board looks forward to working with you during this reauthorization process by providing technical resources on these and other issues. Our Washington Office recently delivered testimony on problems of the non-traditional student and will testify in coming weeks on the definition of self-supporting students and new programs to attract teachers. We stand ready to help in any way we can.

Both Mr. Routh and I will be pleased to respond to your questions.

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A DESCRIPTION OF THE UNIFORM METHODOLOGY:

NEED ANALYSIS FOR DETERMINING STUDENT AID ELIGIBILITY

I. A Brief History

II. Basic Assumptions and Principles

III. Elements of the Uniform Methodology

Appendix A -- Allowances and Computation Tables

Appendix B -- Revisions in the Uniform Methodology,
1976-77 to 1986-87

PREFACE

This report was prompted by a number of requests for a nontechnical description of the Uniform Methodology. Our intention has been to describe the elements of the Uniform Methodology to individuals who are familiar with the student aid programs but not versed in the terminology of need analysis.

Arthur Hauptman, a consultant, and Mary Hayes of the Coalition staff assisted in writing this report. Brenda Brown prepared the report for publication.

Grants from the Ford Foundation and the Carnegie Corporation of New York supported this project.

Linda K. Berkshire
Staff Director

Table 2a

Resources and Expenditures in Five Geographic Regions for AID1 and AID2 Recipients by Dependency Status

Dependent

	North Central		Mid Atlantic		North East		South/Southwest		West	
	AID1	AID2	AID1	AID2	AID1	AID2	AID1	AID2	AID1	AID2
Resources										
Grants										
1981	$1159	$ 90	$1309	$ 98	$1333	$ 577	$1093	$ 51	$1390	$ 142
1983	1302	91	1350	104	1374	139	1282	84	1329	231
Loans										
1981	1003	2201	525	2338	1163	3332	312	2477	557	2392
1983	904	2032	928	2092	1168	2389	521	2007	689	2024
Work										
1981	294	141	227	20	217	118	452	207	657	140
1983	414	23	262	14	255	81	365	19	676	461
Other										
1981	49	35	32	0	160	183	124	64	144	9
1983	41	19	31	32	93	57	26	22	69	61
Total										
1981	2505	2467	2093	2457	2873	4210	1981	2798	2747	2683
1983	2662	2165	2571	2241	2890	2665	2194	2132	2762	2776
Expenditures										
Tuition										
1981	1013	1192	1117	1427	1384	1170	567	604	742	738
1983	1307	1388	1396	1714	1465	1422	738	925	773	1205
Total										
1981	3908	4201	3760	4532	4550	4330	3461	4032	4143	4402
1983	4193	4562	4390	4953	4919	4929	3678	4285	4405	5012

Table 2b

Resources and Expenditures in Five Geographic Regions for AID1 and AID2 Recipients by Dependency Status

	North Central		Mid Atlantic		Independent North East		South/Southwest		West	
	AID1	AID2	AID1	AID2	AID1	AID2	AID1	AID2	AID1	AID2
Resources										
Grants										
1981	$1239	$ 184	$1329	$413	$1688	$605	$1070	$ 81	$1358	$ 90
1983	1178	290	1278	416	1421	1171	1120	166	1290	80
Loans										
1981	1269	2682	458	3005	962	2424	571	2951	717	2987
1983	904	2032	928	2092	1168	2389	521	2007	689	2024
Work										
1981	336	144	251	8	220	196	524	94	768	14
1983	414	23	262	14	255	81	365	19	676	461
Other										
1981	112	138	80	21	86	28	102	163	159	2
1983	410	19	31	32	93	57	26	22	69	61
Total										
1981	2957	3148	2118	3447	2956	3254	2267	3289	3002	3093
1983	2662	2165	2571	2241	2890	2665	2194	2132	2762	2776
Expenditures										
Tuition										
1981	899	1130	882	1139	1069	1154	517	626	560	410
1983	1307	1388	1396	1714	1465	1422	738	925	773	1205
Total										
1981	6267	5724	3506	7825	6519	5539	5594	5931	5776	5840
1983	4193	4562	4390	4953	4919	4929	3678	4285	4405	5012

I A BRIEF HISTORY

The history of the Uniform Methodology can be traced to the a single application form and the information was then centrally analyzed and distributed to the institutions to which the student had applied.

The initial CSS system was based on establishing how much a family could afford to contribute to the child's education and then comparing this family contribution with the expenses entailed in attending a given college. "Need" was the difference between what the family could contribute and the total cost of attendance. Today this concept of need seems obvious and forms the basis for the awarding of most student aid, but at that time, awarding funds primarily on the basis of need was, in fact, quite revolutionary.

Over the thirty years since the creation of CSS, the theory and practice of need analysis has become increasingly more sophisticated. The number of items used in the need analysis procedure has increased, and there has evolved a higher degree of refinement in assessing family resources. In the late 1950's, the level of sophistication in the need analysis procedure outgrew the capacity of the initial hand calculation, and the process of analyzing need was computerized.

In the mid-1960's the American College Testing (ACT) Program introduced another national need analysis service to be used by students applying to schools participating in the ACT testing programs. The ACT need analysis procedure retained many of the basic assumptions of the CSS system, including the notion that cost minus family contribution equated to need.

When the federal Basic Grant program was authorized by the Congress in 1972, there was some discussion about using the CSS and ACT systems for determining eligibility for awards under that program. For typical families with no unusual circumstances, the two procedures produced similar results. There were enough differences, however, especially in their treatment of some non-typical families, that it was decided not to use either of the two existing systems for determining Basic Grant eligibility. Instead, the federal government through regulation established its own separate formula for Basic Grant eligibility.

Discussions of merging procedures used in the two non-federal need analysis systems began anew in the mid-1970's under the aegis of the National Task Force for Student Aid Problems. As part of its effort to improve the delivery of student aid, the Task Force sought to eliminate the confusion of determining need known as the Uniform Methodology. Since that time, the Uniform Methodology increasingly has become a standard for postsecondary institutions and states for determining student need and eligibility for financial assistance.

Each year the Methodology is examined and updated under the auspices of the National Student Aid Coalition and its Committee on Needs Assessment and Delivery (CONAD). This annual review process is governed by a calendar that allows for extensive debate and review by the need analysis service agencies, financial aid administrators, and many other individuals involved in the student aid process. CONAD begins the process by reviewing the existing elements and, in the early Fall, proposes possible changes in the Uniform Methodology. These proposals are discussed at a series of meetings around the country through the Fall and Winter. After reviewing the comments from the field, CONAD in May presents its views to the Coalition which then votes on whether to adopt the CONAD recommendations. The revisions that are adopted go into effect for the processing year that begins the next Fall. Representatives from the Department of Education actively participate in these discussions although they do not vote on the final recommendations.

The Uniform Methodology is currently the primary system used for determining eligibility for the federal student aid programs, with the exception of the Pell Grant program which has its own eligibility formula. Moreover, the Department of Education uses the Uniform Methodology as a benchmark for establishing which other need analysis systems may be used for distributing federal aid to undergraduate students. In addition, the Uniform Methodology is used for most assistance awarded through institutional sources, and forty states currently use the Uniform Methodology for the programs they fund and administer.

II BASIC ASSUMPTIONS AND PRINCIPLES

Certain basic assumptions and principles underlie the structure and procedures incorporated in the Uniform Methodology. These include:

- Parents have a responsibility to finance their children's education to the extent that they are able to do so.

- [illegible] and student are considered in arriving at an estimate of a family's ability to contribute to educational costs.

- Basic and non-discretionary expenses for food, shelter, and clothing and obligatory expenditures, such as taxes, are assumed not to be available to the family to pay for the children's educational costs. A portion of the remaining discretionary income is assumed to be available for postsecondary educational expenses.

- Students also are expected to contribute to their own educational expenses through their earnings, savings, or other resources that may be available directly to them, such as veterans' benefits.

- Students are expected to contribute a greater proportion of their income and assets for education than their parents because they are the primary beneficiaries of the education received.

- To qualify as self-supporting, students must demonstrate according to established criteria that they are not receiving any significant financial assistance from their parents.

III ELEMENTS OF THE UNIFORM METHODOLOGY

The Uniform Methodology provides separate procedures for assessing the family contribution of students who are financially dependent on their parents and those who are self-supporting. This section first describes the principle elements of the dependent student need analysis procedure and then describes the procedure for self-supporting students.

On the income side, allowances are subtracted from the parents' income to cover basic family expenses, taxes, and other specified expenses. The remaining income is potentially available for postsecondary education expenses.

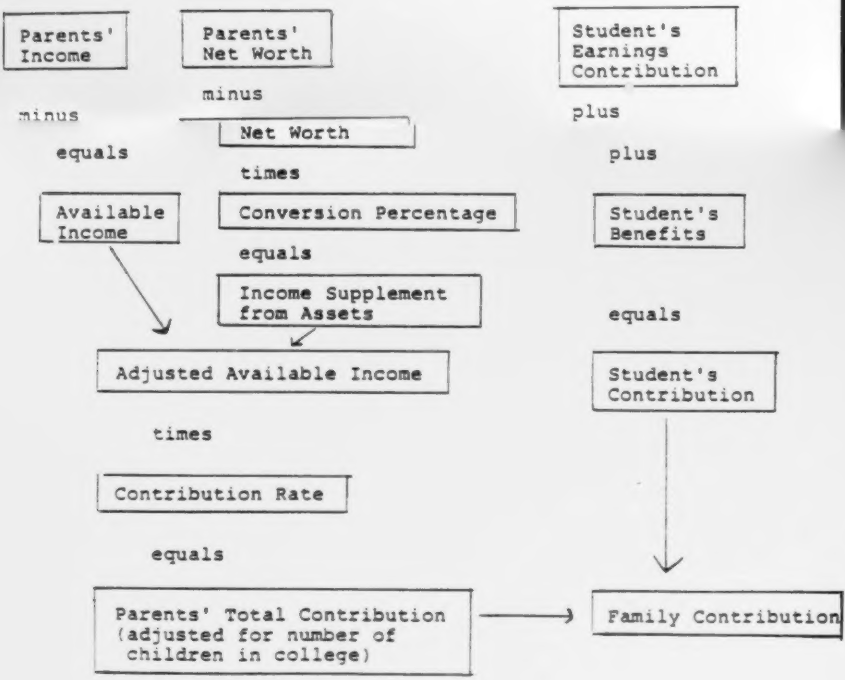
In addition, the parents' net worth (assets minus liabilities) is determined and an allowance is made for retirement and other needs. A portion of the remaining discretionary net worth is then converted into an income supplement from assets.

Available income and the income supplement from assets added together represent the parents' adjusted available income. This sum is multiplied by a contribution rate to determine the parents' total contribution. This total contribution is divided by the number of children in college to determine the parent's contribution for each child.

Also taken into account are the student's own resources -- from expected earnings, previous savings, and any other resources available to the student exclusive of financial aid awards.

The parents' contribution and the student's contribution together form the total family contribution for that student.

ELEMENTS OF THE UNIFORM METHODOLOGY
FOR DEPENDENT STUDENTS


Parents' Income
Parents' Net Worth
Student's Earnings Contribution
minus
minus
plus
Net Worth
equals
plus
times
Available Income
Conversion Percentage
Student's Benefits
equals
Income Supplement from Assets
equals
Adjusted Available Income
Student's Contribution
times
Contribution Rate
equals
Parents' Total Contribution (adjusted for number of children in college)
Family Contribution

The following discussion provides details on how each of the components in the preceding chart is defined under the Uniform Methodology as well as some of the reasoning that led to these definitions and procedures.

Parent's Income

The calculation of the parents' contribution is based on income received during the calendar year immediately preceding the academic year for which the student is applying for aid. This is known as the base year. For academic year 1985-86, 1984 is the base year and parental income for that year is used.

of information.

In recent years, parents have been required to file their financial aid application after January 1 to ensure that the information provided reflects income received over the entire base year. In cases where the student's family financial situation has changed since the end of the base year, such as the death of a parent, separation or divorce, or the loss of a job or benefits, the aid administrator may determine that estimated income reflects more accurately the family's current financial condition.

Parents' Income is the sum of Adjusted Gross Income and their Untaxed Income. Adjusted Gross Income generally follows the IRS definition, with two exceptions: payments to an IRA or Keogh account and the IRS married couple deduction are considered to be income to the parents. IRA/Keogh contributions are included as income because they are considered to be within the discretion of the parents. The married couple deduction is added back into income because it attempts to correct inequities in the tax system and has no bearing on a family's ability to pay for education.

Untaxed Income is all other income the parents have received in the base year, including (the parents') Social Security benefits, welfare payments, child support, untaxed capital gains, and untaxed unemployment compensation. Certain specified sources of untaxed income are not counted including gifts, food stamps, and deferred annuities.

Treatment of Income of Divorced or Separated Parents In the case of divorced or separated parents, only the income of the parent with whom the child resides is generally considered for purposes of calculating the family contribution. If that parent has remarried, the income of the stepparent also may be counted if the child lives with or receives financial support from the stepparent. If the noncustodial parent is providing child support or payments for educational expenses, this support is counted directly as part of the family's contribution for meeting educational expenses.

Allowances Against Income

The Methodology deducts a number of allowances in order to arrive at the amount of income that is potentially available for contributions to education. These allowances against income include taxes paid, basic living expenses of the family, extraordinary medical and dental expenses, employment expenses, and unreimbursed elementary and secondary school tuition.

sales, and excise taxes. Recognizing the difficulty in collecting precise tax information from individual families, the Methodology employs a standard allowance for state and other taxes which varies from 3 to 14 percent of total income, depending on the family income level and state of residence. These allowances are derived from information published by the I.R.S.

Basic Living Expenses The Standard Maintenance Allowance (SMA) is an offset against income for the family's basic living expenses and varies by the size of the family. Living expenses for the student, however, are only provided for a three-month period to reflect the time when the student is expected to be living at home. If family members other than the student will also be enrolled in postsecondary education, their maintenance costs during the school year are also subtracted from the family's SMA.

The allowance is based on consumption and other basic living costs for a family at a low standard of living, as estimated in 1967 by the Bureau of Labor Statistics (BLS). The base is updated and adjusted each year to reflect actual and estimated changes in the Consumer Price Index. The 1967 figures are used as a basis for this allowance because the BLS has not conducted a comparable survey of expenses since that time.

Medical and Dental Expenses An allowance is made for medical and dental expenses (excluding medical insurance) that exceed what is considered usual for a family. Since the Standard Maintenance Allowance provides for basic medical expenses (including medical insurance), the Methodology considers as an additional allowance only those medical/dental expenses that exceed 3 percent of the parent's total income. Until 1984, this allowance was identical to the allowable deduction for medical/dental expenses for U.S. income tax purposes. While the deductible level has been raised to 5 percent in the tax system, the allowance base remains at 3 percent in the Uniform Methodology because it was believed that this percentage figure more closely indicates the level at which unforeseen medical expenses become extraordinary.

Elementary and Secondary School Tuition Expenses All expenses reported by parents as elementary and secondary tuition costs up to a maximum of $2,700 per child are regarded as an offset to income and not available for meeting postsecondary education expenses. The $2,700 ceiling is based on the National Center for Education Statistics' estimate of national average per-pupil instruction costs for a student attending a public elementary or secondary school.

This allowance is included in the Methodology principally because provisions in the Higher Education Act of 1965 stipulate

Employment Costs An allowance for employment-related expenses is included in the Methodology for families in which both parents are working and for single-parent households. The allowance is made in recognition of the additional expenses incurred by working parents -- such as clothing, transportation, housekeeping costs and meals away from home -- that are not included in the Standard Maintenance Allowance. (Expenses for child care are not included in the Employment Allowance because relatively few parents of college students have other dependent children young enough to require child care. Aid administrators may include child care expenses for those families with young children.) For 1985-86, the Employment Allowance is:

- for two working parents, 35% of the lesser of the two employment incomes or $2,000, whichever is less.
- for one parent families, 35% of employment income or $2,000, whichever is less.

The maximum dollar allowance is based on selected employment-related items in the BLS Consumer Expenditure Survey of 1972-73 and is updated annually for inflation. The 35 percent rate is roughly the ratio of the maximum dollar allowance ($2,000) to the earnings of a full-time worker at the prevailing minimum wage.

Available Income

The difference between Parents' Income and Allowances is called Available Income -- that is, available to the family for a variety of discretionary purposes, including the postsecondary education of the children.

Contribution from Assets

Parents' assets are another factor in measuring a family's ability to pay. The concept under the Methodology is to convert a portion of these assets into an income supplement, after an allowance is made primarily for retirement needs. Assets are converted into an income supplement because it is felt that a combined measure of both income and assets is the best way to assess a family's overall financial condition.

Parents' Net Worth

Under the Uniform Methodology, the assets that are taken into consideration are those for which the value is reasonably easy to determine. Existing liabilities against those assets are also considered. The Parents' Net Worth is the total of asset value minus liabilities of the following items measured at the time the family applies for aid:

- home equity, determined by subtracting the unpaid mortgage and related debts from the current market value of the home.
- the net value of investments and other real estate, derived by subtracting unpaid debts on these holdings from their current market value.
- the net worth of a business or farm (the present market value minus unpaid mortgage or debts), to which an adjustment percentage is then applied. The Methodology recognizes that assets held in businesses and farms are income-producing and does not include their full net value; instead, a percentage of net worth which ranges from 40% to 100% (for net worth over $300,000) is applied to these assets.

In general, no distinction is made between different types of assets, with the exception of business or farm-related holdings. The theory here is that the liquidity of an asset has no bearing on the underlying financial strength that the asset provides to the family. If an asset cannot readily be transformed into cash, it can be used to serve as a collateral for a loan. Moreover, the balance between liquid and illiquid assets is frequently a matter of family choice and, thus, in the Uniform Methodology, no attempt is made to give a preference to one form of asset holdings over another.

The equal treatment of all assets is similar to the treatment of income under the Methodology. Income is treated the same regardless of whether it is derived from employment, investment or other sources; similarly, assets are considered equally regardless of their form.

Asset Protection Allowance

The Asset Protection Allowance shields a portion of the Parents' Net Worth from being considered available for postsecondary education expenses. The amount of the allowance is based on the age of the older (or only) parent. The formula used to derive the allowance calculates the amount needed to buy an annuity policy that would produce sufficient income in retirement to make up for the difference between the moderate BLS living standard and prospective Social Security benefits. Separate schedules are developed for one-and two-parent families to reflect differences in standards of living and expected Social Security benefits. As a result, the asset protection allowances for single parents are roughly 25 percent less than those for a two-parent family.

Discretionary Net Worth is determined by subtracting the Asset Protection Allowance from the Parents' Net Worth.

Conversion Percentage

The Parents' Discretionary Net Worth is converted into an income supplement by multiplication by a percentage factor. The percentage varies from 0 to 12% depending on whether the discretionary net worth is positive or negative and, if negative, according to the family's Available Income level.

A positive Discretionary Net Worth is assumed to indicate that the parents have accumulated sufficient assets to provide for a moderate standard of living upon retirement, plus additional reserves. For these families, a rate of 12 percent is used to convert the Discretionary Net Worth to an Income Supplement. The conversion percentage is related to the expected return on and/or appreciation of the family's asset holdings to reflect how much income these assets might annually provide.

A negative Discretionary Net Worth, on the other hand, is an indication that the family has not yet been able to accumulate sufficient assets for retirement needs. In these cases, the shortfall in assets is subtracted from Available Income at a conversion percentage that varies from 0 to 6% depending upon the Parents' Available Income. The 6 percent figure approximates the annual rate of saving that would be required to accumulate additional assets to provide for retirement.

Income Supplement from Assets

The Income Supplement is the product of Discretionary Net Worth multiplied by the Asset Conversion Rate. The Income

Supplement is seen as a measure of what assets annually add to the family's use of its current income. It does not mean or imply that the family is expected to convert its assets into cash. For parents with little or no assets, the Income Supplement may be negative and thus become an offset against the family's Available Income to permit the accumulation of assets needed for retirement and other purposes.

Adjusted Available Income

The sum of the Available Income and the Income Supplement from Assets is called the Adjusted Available Income. This figure represents a combined measure of a family's financial strength from both income and assets.

Contribution Rate

A schedule of contribution rates is applied to the Adjusted progressive schedule is used and works on the principle that as a family's economic strength increases, the percentage of income needed for basic family support decreases and a larger proportion is available for discretionary purposes.

There are separate taxation schedules for the parents of undergraduate and graduate students, with the rates for parents of graduate students generating lower contributions than those for undergraduates. This distinction is based on the notion that parents who have already supported the student as an undergraduate should not have to contribute to the same degree for the child's graduate or professional school expenses.

The marginal contribution rates currently range from 22 to 47 percent for undergraduate students and from 18 to 47 percent for graduate and professional students. The rates are intended to reflect what parents might reasonably be expected to contribute at different levels of income.

Adjusted available income is divided into brackets against which the marginal contribution rates are applied. These brackets are adjusted annually so that the parents' contribution is indexed to inflation. This adjustment, along with other inflation-related adjustments to the allowances for employment, asset protection, and basic living expenses, is intended to keep the parents' contribution at a relatively constant proportion of their Available Income. In other words, contribution levels are expected to remain at roughly the same level, in constant dollar terms, from year to year, assuming the parents' income keeps pace with inflation and there are no other fundamental changes to the Methodology or in the federal tax system.

For families with incomes of less than the amount of allowances, the lowest contribution rate is applied against the negative income figure, thus producing a negative contribution, up to a maximum of -$750. This negative contribution, however, is not added to the need of the student above the costs of attendance. Instead, the negative parental contribution figure assists the financial aid administrator in identifying the most needy students whose parents' resources are insufficient to support the family at even a low standard of living.

Total Parents' Contribution

The Adjusted Available Income multiplied by the Contribution Rate produces the Total Parents' Contribution for education for all children in the family. If more than one child will be enrolled at least half-time in postsecondary education during the year for which the student is applying for aid, the Total Parents' Contribution is divided by the number of children in postsecondary education to determine the Parents' Contribution for the particular student. Thus, each child enrolled in postsecondary education is assumed to receive an equal share of the parents' overall contribution.

Student's Earnings Contribution

The Uniform Methodology incorporates the principle of self-help by expecting the student to contribute toward his or her own education costs through earnings from employment during the summer or the academic year. The Methodology includes a standard minimum contribution from expected earnings (net of taxes and employment-related expenses) of $700 for freshmen and $900 for all other students. These amounts are based on an expectation of summer earnings: a 30-hour work week for 10 weeks at $3.35/hour (minimum wage) for freshmen and a 40-hour work week for 10 weeks at the same rate for all other students.

In recognition of the differences among students in their opportunities to earn and save, the standard earnings expectation serves primarily as a guideline to institutions. Institutional aid administrators are encouraged to assess carefully the appropriateness of the national standard for particular students. They may develop their own specifications for students whose expected earnings where the standard may not reasonably apply. In cases where the expected contribution is not realized, aid administrators are also encouraged to assist such students in meeting their earnings contribution through loans or term-time employment opportunities.

Student's Asset Contribution

The Net Worth of student assets (the same types of assets used in the parents' analysis) is multiplied by 35 percent to determine the contribution expected from those assets during a given year. The 35 percent rate is designed to utilize, but not to exhaust, a student's asset resources over a four year span of undergraduate enrollment; a portion of the asset value is, therefore, protected for use during a fifth undergraduate year if needed, graduate study, or the time period between graduation and initial employment.

Student's Benefits

Benefits provided through federal and state programs for veterans and their dependents are considered to be fully available for the student's educational expenses. Other untaxed income and benefits, such as payments from Vocational Rehabilitation and Manpower Development or similar assistance programs are included at full value as a resource to the student.

Student's Contribution

The Student's Contribution is the sum of the Student's Earnings Contribution, the Asset Contribution and any other untaxed income and benefits.

Total Family Contribution

The Student's Contribution added to the Total Parents' Contribution results in the Total Family Contribution.

Student's Expense Budget

The Expense Budget for a dependent student, includes tuition and fees, books and supplies, and living expenses for the period of enrollment. For married students, expenses are estimated from costs incurred in the year of application. For students living on campus, room and board charges are used as a measure of living expenses. Institutional aid administrators are responsible for estimating the costs for other types of living arrangements, such as commuters living at home and students living off campus.

Calculation of Need

When the Total Family Contribution is subtracted from the student's cost of attendance at a given institution, a student's need for financial assistance can be determined. This completes the need analysis for the dependent student.

There are some fundamental differences in the dependent and self-supporting need analysis procedures that should be underscored. These differences are:

- The treatment of basic living expenses

  For financially dependent students, the basic living expenses of the family (and the student during the summer months) are viewed as an offset against the family income. For self-supporting students (and their spouses and children), basic living expenses are, instead, regarded as a cost of attendance, with no allowance made for living expenses on the income side of the calculation.

- The year for determining income of the family unit

  For financially dependent students, family income is the calendar year prior to when the student will be enrolled. This is done to permit verification of the income data and minimize the degree of estimation. Self-supporting students, on the other hand, are asked to estimate their (and their spouse's) income for the summer before and academic year when they will be enrolled. Estimated income is used for self-supporting students because of the dramatic changes that occur in their financial condition when they become students.

- The treatment of taxable and non-taxable income

  For dependent students, taxable and non-taxable income of the parents are combined before allowances are made for taxes and other expenses. For self-supporting students, allowances are deducted only from taxable income. All non-taxable income of the self-supporting student is assumed to be available for contribution to educational expenses.

- The use of income and assets for measuring financial strength

  For dependent students, the financial strength of their parents is based on a combined measure of income and assets to reflect the interdependence of income flow and asset accumulation. For self-supporting students, expected contributions from income and assets are calculated separately.

DETERMINING FAMILY CONTRIBUTION FOR SELF-SUPPORTING STUDENTS

Under current law and regulations, in order to qualify as self-supporting, a student must:

- not receive $750 or more of financial support from their family

- not live with their parents longer than six weeks during the year; and

- not be claimed as an exemption on the parents' income tax return.

These three criteria must be met in each of two years -- the year in which aid will be received and the preceding (base) year.

This definition is based on the notion that parents giving their children even minimal support should be responsible to provide support for educational expenses. With relatively little change, these criteria have been in place for over a decade and grew out of the definition orginally established under the Basic Grant program in 1973.

The basic principles incorporated in the definition were established as early as 1959 (for the NDSL program) and provide the student a means of demonstrating a history of self-support. These first rules for documenting self-support included the income tax dependence, residence, and financial support criteria that are still used in the current definition.

The need analysis procedures used to estimate family contribution for self-supporting students were recently revised in substantial ways; 1984-85 was the first year in which the new procedures went into effect. These changes evolved from a series of concerns about the ways in which the resources of independent students were assessed under past procedures. The new system is based on the following principles:

- Students who have not accumulated sufficient personal resources should be able to receive financial assistance to pay for direct educational costs and minimum living costs for themselves and their dependents.

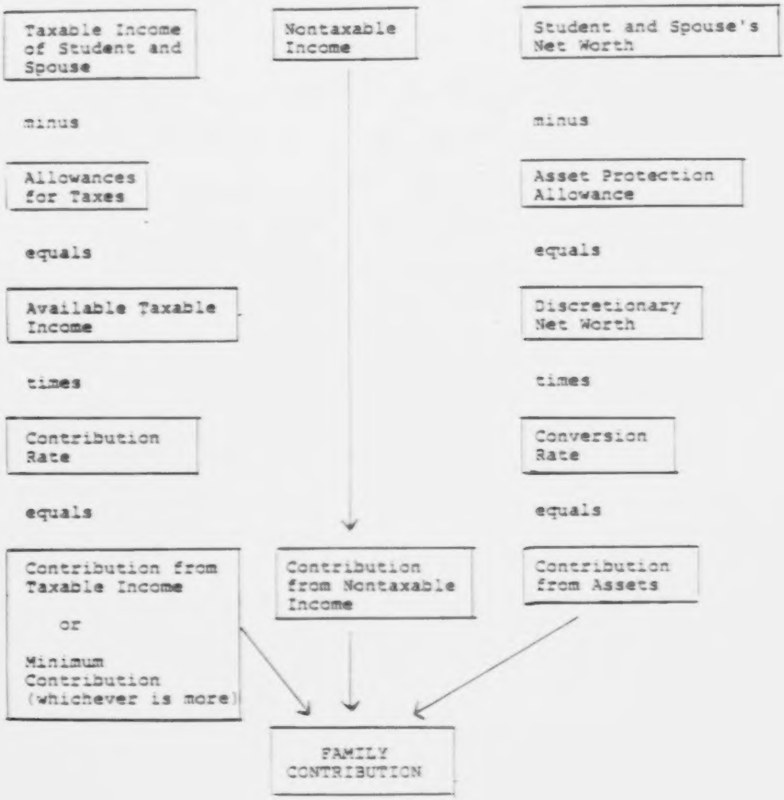
- Through a combination of financial aid and personal resources, all self-supporting students and their families should be able to maintain a minimum living standard.

- Students and their spouses who earn income should be expected to contribute most of that income toward direct and indirect educational expenses; they should, however, be allowed to retain a portion of that income in order to improve their standard of living.

- All students and their spouses should be expected to contribute a minimum amount of resources toward their education.

As the following chart illustrates, the family contribution for self-supporting students has three components: the contributions from the student's and spouse's Taxable Income, Nontaxable Income, and Net Worth assets. For Taxable Income, an allowance is made for taxes paid to arrive at Available Taxable Income. A large proportion of this Available Taxable Income is considered to be a contribution for educational expenses. The amount calculated under this procedure is compared to a Minimum Contribution, and whichever is more is considered to be the contribution from Taxable Income. All nontaxable income of the student and spouse is considered to be a contribution for education.

ELEMENTS OF THE UNIFORM METHODOLOGY FOR SELF SUPPORTING STUDENTS


Taxable Income of Student and Spouse
Nontaxable Income
Student and Spouse's Net Worth
minus
minus
Allowances for Taxes
Asset Protection Allowance
equals
equals
Available Taxable Income
Discretionary Net Worth
times
times
Contribution Rate
Conversion Rate
equals
equals
Contribution from Taxable Income or Minimum Contribution (whichever is more)
Contribution from Nontaxable Income
Contribution from Assets
FAMILY CONTRIBUTION

An Asset Protection Allowance is subtracted from the student's and spouse's Net Worth to derive Discretionary Net Worth. A portion of the Discretionary Net Worth is then regarded as the Contribution from Assets. The Contribution from Taxable Income, Nontaxable Income, and Net Worth together constitute the family 's contribution for the self-supporting student.

The following discussion describes in more detail how each of these elements is defined.

Taxable Income of Student and Spouse

The income of both the student and spouse is assessed when determining ability to pay for the cost of education. A self-supporting student is asked to estimate his or her taxable income and that of the spouse for the summer before and the academic year in which they are applying for aid.

Allowances for Taxes

Estimated federal income and Social Security taxes and state and local income taxes are deducted from the taxable income of the student and spouse.

Available Taxable Income

Taxable income minus Allowances for Taxes results in Available Taxable Income.

Contribution Rate

A large portion of the student's and spouses Available Taxable Income is expected to be used to meet educational expenses. This is consistent with the principle that educational expenses represent the primary use of the student's income. Under the current rules, 70 percent of income is expected to be used for education up to the level of the BLS moderate standard of living. For income above the moderate standard, 90 percent is regarded as a contribution to education. The 70 percent rate is roughly the ratio of the BLS low and moderate living standards; it is designed so that a student with an income at the moderate standard is expected to contribute an amount roughly equal to the low standard. The remaining 30 percent is assumed to be available to improve the student's standard of living beyond the subsistence level.

Prior to 1984-85 the need analysis procedures considered 100 percent of the student's and spouse's income to be contributions to basic living and educational expenses. This rule was changed to allow students to retain a portion of their income for purposes other than education thereby providing a modest incentive for students to work.

Contribution from Taxable Income

Multiplying Available Taxable Income by the Contribution Rate results in an expected Contribution from Taxable Income.

Minimum Contribution

Under current Uniform Methodology procedures, students and their spouses are expected to contribute a minimum amount to the student's educational expenses. The Minimum Contribution is $1,200 for the self-supporting student and $4,200 for the spouse. This Minimum Contribution is used if it is larger than the amount calculated through the contribution rate (70/90%) procedure.

The notion of a minimum contribution derives from an expectation that self-supporting students will work at least part-time all year. This expectation is consistent with the expectation from dependent students. The amount of the Minimum Contribution for the student is determined by mutiplying the minimum wage ($3.35 per hour) by 10 hours a week and then applying the 70 percent marginal contribution rate. If the student's spouse is not a student, the minimum contribution is the minimum wage times 40 hours per week ($6,000, net of taxes) times the 70 percent assessment rate.

The amounts of the Minimum Contribution are intended primarily as guidelines. Aid administrators have the discretion to adjust the Minimum Contribution figures to reflect the circumstances of individual students and their spouses and local economic conditions.

The Minimum Contributions for the student and spouse are prorated monthly if the student is not enrolled for the full year. The actual dollar amount expected for a student's self-help contribution is modified for any changes in the minimum wage, and exceptions can be made for individual circumstances.

Nontaxable Income

All of the self-supporting student's and the spouse's non-taxable income is expected to be fully available to help meet the cost of education. Nontaxable income sources include:

- Aid to Families With Dependent Children (AFDC)
- Veteran's Administration benefits
- Social Security benefits

Student and Spouse's Net Worth

A portion of the value of the student's and spouse's assets is considered to be available to meet educational expenses.

These assets include cash, savings, checking accounts, home equity, the net value of other real estate and investments, and the adjusted net worth of a business or farm. Liabilities against these assets are subtracted in order to arrive at Net Worth.

Asset Protection Allowance

The Asset Protection Allowance for self-supporting students depends on both their age and whether they have dependents. Students who are 25 years old or younger receive no asset protection allowance against their net worth. Self-supporting students older than 25 receive an allowance identical to that of dependent students' parents of the same age. Self-supporting students with dependents are treated the same as two-parent families of dependent students. Single self-supporting students are treated the same as single-parent families. Therefore, as in the case of one-parent and two-parent families, the Asset Protection Allowance for self-supporting students with dependents is roughly 25 percent more than that for a single self-supporting student.

Discretionary Net Worth

The student's Discretionary Net Worth is the student's and spouse's Net Worth minus the Asset Protection Allowance.

Asset Conversion Rate

For self-supporting students with no children, a larger proportion of their assets is expected to be contributed to education than is expected from the parents of dependent students. Thirty-five (35) percent of the Discretionary Net Worth of self-supporting students with no children is expected to be contributed to the costs of the student's education. Since education is viewed as being their primary expense, these students are expected to contribute more than parents, who have many claims on the use of their assets. This 35 percent figure is consistent with the assessment rate for the assets of dependent students, although dependent students have no asset protection allowance.

The financial obligations for the self-supporting student with dependents other than a spouse, however, are regarded as being comparable to the obligations of the parents of a dependent student. Thus, a 12 percent Contribution Rate is applied to assets to derive the Discretionary Net Worth of self-supporting students with children.

Family Contribution

The sum of the self-supporting student's Contribution from Taxable Income, the Contribution from untaxed income, and the Contribution from assets equals the Total Family Contribution available to the student to meet educational costs.

Student Expense Budget

The financial aid administrator at each institution determines the total cost of attendance for each student. The student expense budget should include direct costs such as tuition, fees, and books, and estimated living expenses for the student and his or her family.

The expense budget for the self-supporting student includes basic living expenses at a minimum standard of living for a twelve-month period. Adjustments to the expense budget are made for students who are not enrolled for a full academic year or who carry less than a full-time course load.

Calculation of Need

Need for self-supporting students, as in the case of dependent students, is determined by calculating the difference between the student's total family contribution and the cost of attendance as estimated in the student expense budget.

APPENDIX A

Allowances and Computation Tables for the 1985-86 Uniform Methodology

1. Allowance for State and Other Taxes

	Parent's state of Residence		Student's state of residence
	Total income		Taxable income only
State or Terr.	$0- 14,999	$15,000 or more	
Alabama	6	5	3
Alaska	8	7	4
American Samoa	4	3	0
Arizona	7	6	3
Arkansas	7	6	4
California	9	8	5
Colorado	9	8	3
Connecticut	8	7	1
Delaware	9	8	7
Dist. of Columbia	10	9	6
Florida	5	4	0
Georgia	8	7	4
Guam	4	3	0
Hawaii	10	9	5
Idaho	8	7	4
Illinois	7	6	2
Indiana	6	5	2
Iowa	8	7	4
Kansas	7	6	3
Kentucky	8	7	4
Louisiana	4	3	1
Maine	9	8	4
Maryland	11	10	6
Massachusetts	12	11	5
Michigan	10	9	4
Minnesota	11	10	7
Mississippi	6	5	2
Missouri	7	6	3
Montana	8	7	4
Nebraska	8	7	3
Nevada	5	4	0
New Hampshire	7	6	1
New Jersey	9	8	3
New Mexico	7	6	2
New York	14	13	7
North Carolina	8	7	5

North Dakota . . .	6	5	2
Ohio	7	6	3
Oklahoma	6	5	3
Oregon	9	8	6
Pennsylvania . . .	9	8	4
Puerto Rico	6	5	2
Rhode Island . . .	11	10	4
South Carolina . .	8	7	4
South Dakota	6	5	0
Tennessee	5	4	0
Texas	4	3	0
Trust Territory . .	4	3	0
Utah	9	8	4
Vermont	10	9	5
Virgin Islands . .	4	3	0
Virginia	9	8	4
Washington	6	5	0
West Virginia . . .	6	5	3
Wisconsin	11	10	6
Wyoming	4	3	0
Canada	9	8	4
Mexico	9	8	4

2. Standard Maintenance Allowance

Family Size (including applicant)	Allowance*
2	$ 7,880
3	9,820
4	12,120
5	14,300
6	16,730
each additional	1,890

*Deduct $1,350 for each family member (other than the applicant and parents) who will be enrolled at least half-time in postsecondary education in 1985-86.

3. Adjustment of Business and Farm Net Worth

Net Worth (NW) of business or farm	Adjusted net worth of business or farm
Less than $1	$0
$ 1 to $ 60,000	40% of NW
$ 60,001 to $180,000	$ 24,000 plus 50% of NW over $ 60,000
$180,001 to $300,000	$ 84,000 plus 60% of NW over $180,000
$300,001 or more	$156,000 plus 100% of NW over $300,000

4. Asset Protection Allowance
(dependent/self-supporting students)

Age of older parent/ **Self-supporting student's age**	Number of parents(s)/ **Self-supporting student's family size**	
	2 parents/**2 or more**	1 parent/**One**
25 or less	$ 0	$ 0
26	1,800	1,400
27	3,600	2,900
28	5,500	4,300
29	7,300	5,300
30	9,100	7,200
31	10,900	8,700
32	12,700	10,100
33	14,600	11,600
34	16,400	13,000
35	18,200	14,500
36	20,000	15,900
37	21,800	17,400
38	23,700	18,800
39	25,500	20,300
40	27,300	21,700
41	27,900	22,200
42	28,600	22,800
43	29,400	23,200
44	30,200	23,800
45	31,000	24,400
46	32,100	25,000
47	32,900	25,500
48	33,800	26,100
49	35,000	26,800
50	35,900	27,500
51	37,100	28,300
52	38,400	29,000
53	39,700	29,800
54	41,000	30,700
55	42,300	31,500
56	43,700	32,400
57	45,200	33,200
58	46,700	34,200
59	48,500	35,300
60	50,000	36,400
61	52,000	37,500
62	54,000	38,600
63	56,000	39,800
64	58,500	41,200
65 or more	60,600	42,400

5. Asset Conversion Rate

Discretionary Net Worth (D.N.W)	Available Income	Rate (applied to D.N.W)
$0 or more	any amount	12%
less than $0	$0 or less	6%
less than $0	$1-$14,999 .	$\frac{(15,000 - AI)}{15,000}$ X 6%
less than $0	$15,000 or more	0%

6a. Parents' Contribution from Adjusted Available Income - Undergraduate Students

Adjusted Available Income (AAI)	Total Parents' Contribution
Less than $-3,409	$-750
$-3,409 to $ 7,000	22% of AAI
$ 7,001 to $ 8,800	$1,540 + 25% of AAI over $ 7,000
$ 8,801 to $10,600	$1,990 + 29% of AAI over $ 8,800
$10,601 to $12,400	$2,512 + 34% of AAI over $10,600
$12,401 to $14,200	$3,124 + 40% of AAI over $12,400
$14,201 or more	$3,844 + 47% of AAI over $14,200

6b. Parents' Contribution from Adjusted Available Income - Graduate Students

Adjusted Available Income (AAI)	Total Parents' Contribution
Less than $-3,409	$-750
$-3,409 to 0	22% of AAI
$ 1 to $ 7,000	18% of AAI
$ 7,001 to $ 8,800	$1,260 + 22% of AAI over $ 7,000
$ 8,801 to $10,600	$1,656 + 26% of AAI over $ 8,800
$10,601 to $12,400	$2,124 + 32% of AAI over $10,600
$12,401 to $14,200	$2,700 + 39% of AAI over $12,400
$14,201 or more	$3,402 + 47% of AAI over $14,200

7. Available Taxable Income (ATI) Rates

Family Size	Student's AI	12-month Contribution from TI
1	$ 0 to $ 8,200	70% of AI
	$ 8,201 or more	$ 5,740 + 90% of AI over $ 8,200
2	$ 0 to $11,000	70% of AI
	$11,001 or more	$ 7,700 + 90% of AI over $11,000
3	$ 0 to $14,500	70% of AI
	$14,501 or more	$10,150 + 90% of AI over $14,500
4	$ 0 to $17,400	70% of AI
	$17,401 or more	$12,180 + 90% of AI over $17,400
5	$ 0 to $22,100	$70% of AI
	$22,101 or more	$15,470 + 90% of AI over $22,100
6 or more	$ 0 to $26,000	70% of AI
	$26,001 or more	$18,200 + 90% of AI over $26,000

APPENDIX B

Revisions in the Uniform Methodology
1976-77 to 1986-87

	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Parents' taxable income	R										
+ Parents' nontaxable income									R		
- Social security adjustment	R						R				
= Parents' total income											
- U.S. income tax	L	L	L		L			L	L	L	L
- F.I.C.A. tax	L	L	L	L	L	L	L	L	L	L	L
- State and other taxes	R		R			R	R	R	R		
- Elementary/secondary tuition								R	R	R	R
- Medical and dental expenses											
- Casualty and theft losses	R				R						
- Employment allowance	R		I		I		R	I		R	
- Standard maintenance allowance	R	I	I	I	I	I	I	I	I	I	I
= Parents' available income											
Cash, savings, checking accounts											
+ Home equity											
+ Investments and other real estate											
+ Adjusted business/farm net worth	R			I	I	I	I	I	I	I	I
- Other debts outstanding				R	R						
= Net worth											
- Asset protection allowance		I	I	R	R	I	I	I	I	I	I
= Discretionary net worth											
x DNW conversion percentage	R	I	I	I	I	R	I	I			I
= Income Supplement											
Parents' available income											
+ Income supplement											
+ Parents' share of student's social security benefits	R	I	I	I	I		R				
= Adjusted available income											
x AAI taxation rate	R	I	I	I	I	I	I	I	I	I	I
= Total parents' contribution											
+ Number in college	R			R					R		
= Parents' contribution for student											

Note: L = Legislative Change; I = Inflation Adjustment; R = Revision of Rationale

	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Student's share of student's social security benefits	R						R			R	
+ Veteran's benefits											
+ Other nontaxable income and benefits											
+ Student's available income											
Student's net assets											
x Conversion percentage	R										
= Student's contribution from assets											
Student's available income											
+ Student's contribution from assets											
+ Student's summer savings						R					
= Student's contribution											
Parents' contribution for student											
+ Student's contributuion											
= Total family contribution											

Note: L = Legislative Change; I = Inflation Adjustment; R = Revision of Rationale

Parents' taxable income

1976-77	Adjusted gross income replaced total taxable income (less employee business expenses).

Parents' nontaxable income

1984-85	Contributions to IRA/Keogh and the deduction for a married couple when both parents work included in nontaxable (untaxed) income.

Social security adjustment

1976-77	New rationale for apportioning student's benefits to both student and parents required initial adjustment to parents' income.
1982-83	Change in rationale eliminated need for adjustment. (See Parents' share of student's social security benefits.)

U.S. income tax

1976-77	Tax credit of $30 per exemption added.
1977-78	Tax credit revised to $35 per exemption.
1978-79	Revised standard deduction.
1980-81	Revised tax schedule; increased standard deduction and standard exemption.
1983-84	Revised tax schedule.
1984-85	Revised tax schedule.
1985-86	Revised tax schedule.
1986-87	Revised tax schedule; increased standard deduction and standard exemption.

F.I.C.A. tax

1976-77	Increased base (5.85 percent of $14,100).
1977-78	Increased base (5.85 percent of $15,300).
1978-79	Increased base (5.85 percent of $16,500).
1979-80	Increased tax and base (6.05 percent of $17,700).
1980-81	Increased tax and base (6.13 percent of $22,900).
1981-82	Increased base (6.13 percent of $25,900).
1982-83	Increased tax and base (6.65 percent of $29,700).
1983-84	Increased tax and base (6.70 percent of $32,400).
1984-85	Increased base (6.70 percent of $35,700).
1985-86	Increased base (6.70 percent of $37,800).
1986-87	Increased tax and base (7.05 percent of $39,600).

State and other taxes

1976-77	Standard allowance replaced calculated state income tax.
1978-79 through 1984-85	Table revised annually for state-specific allowances.

Elementary/secondary tuition allowance

1983-84	Introduced into methodology. Allowed amount reported in excess of four percent of parents' total income.
1984-85	Maximum allowance of $1,400 established.
1985-86	Four percent threshold removed and maximum increased to $2,700 per eligible child.
1986-87	Maximum increased to $2,900 per eligible child.

Casualty and theft losses

1976-77	Allowance replaced emergency allowance.
1980-81	Eliminated from methodology.

Employment allowance

1976-77	Calculation schedule revised from 50 percent of first $2,000 of earnings and 25 percent of next $2,000. New schedule allowed 50 percent of first $3,000 of earnings.
1977-78	Allowance extended to include one-parent families.
1978-79	Allowance maximum revised for inflation to $2,000.
1980-81	Allowance maximum revised for inflation to $2,400.
1982-83	New allowance of 30% of wages to a maximum of $1,800 introduced.
1983-84	Allowance maximum revised for inflation to $1,900.
1985-86	New allowance of 35% of wages to a maximum of $2,000 introduced.

Standard maintenance allowance

1976-77 Direct allowance replaced maintenance allowance formerly a part of parents' contribution calculation.

1977-78 through 1978-80
Revised for inflation.

1979-80 Revised for inflation.
(See Number in college, 1979-80, below.)

1980-81 through 1986-87
Revised for inflation.

Standard maintenance allowance -- for undergraduate student

	Family size						SMA Reduction for Each Additional Family Member in College
	2	3	4	5	6	Each Additional	
1986-87	8,150	10,160	12,540	14,800	17,310	+1,950	-1,390
1985-86	7,880	9,820	12,120	14,300	16,730	+1,890	-1,350
1984-85	7,660	9,550	11,790	13,910	16,270	+1,840	-1,310
1983-84	7,360	9,180	11,330	13,370	15,640	+1,760	-1,260
1982-83	6,970	8,690	10,730	12,660	14,810	+1,670	-1,190
1981-82	7,050	8,790	10,850	12,800	14,970	+1,690	-1,210
1980-81	6,010	7,480	9,240	10,900	12,750	+1,440	-1,030
1979-80	5,360	6,670	8,240	9,720	11,370	+1,290	- 900
1978-79	4,970	6,200	7,650	9,030	10,560	+1,200	-----
1977-78	4,780	5,870	7,350	8,680	9,770	-----	-----
1976-77	4,600	5,560	7,070	8,350	9,400	-----	-----

Adjusted business/farm net worth

1976-77 Revision of adjustment rate for uppermost band of net worth from 70 percent to 100 percent.

1979-80 Revision of net worth bands in table for inflation since table was constructed.

1980-81 through 1986-87
Revision for inflation.

Adjustment of business/farm net worth

1985-87	1983-85	1981-83	1980-81	1979-80	1976-79	Adjustment rate
$ 0 - 60	$ 0 - 55	$ 0 - 50	$ 0 - 45	$ 0 - 40	$ 0 - 20	40 percent
60 - 180	55 - 165	50 - 150	45 - 135	40 - 120	20 - 60	50 percent of excess
180 - 300	165 - 275	150 - 250	135 - 225	120 - 200	60 - 100	60 percent of excess
300 or more	275 or more	250 or more	225 or more	200 or more	100 or more	100 percent of excess

Other debts outstanding
1979-80 Made optional part of methodology.
1980-81 Eliminated from methodology.

Asset protection allowance
1977-78 and 1978-79
Revised for inflation.
1979-80 Allowances rederived by formula.
1980-81 Formula modified to incorporate future inflation; allowance based on age of older parent.
1981-82 through 1986-87
Revised annually for inflation.

Asset protection allowance -- two-parent family

	AGE					
	40	45	50	55	60	65
1986-87	$27,800	$31,500	$36,500	$42,800	$50,900	$61,400
1985-86	27,300	31,000	35,900	42,300	50,000	60,600
1984-85	25,800	29,600	34,300	40,200	47,900	58,200
1983-84	24,600	28,100	32,600	38,300	45,600	55,400
1982-83	24,600	28,100	32,600	38,300	45,600	55,400
1981-82	25,000	28,600	33,200	39,300	46,800	56,800
1980-81	21,200	24,500	28,500	33,700	40,200	48,900
1979-80	11,310	14,330	18,320	23,690	30,960	40,690
1978-79	9,560	11,110	13,000	15,450	18,890	24,000
1977-78	9,200	10,700	12,510	14,870	18,190	23,110
1976-77	8,600	10,000	11,700	13,900	17,000	21,600

Discretionary net worth conversion percentage
1976-77 Single-rate schedule based on parents' available income and income supplement replaced schedule based on age of head of household. Negative income supplement allowed in analysis, replaced former allowance for excess indebtedness.
1977-78 through 1980-81
Revision for inflation of the level of available income at which negative income supplement is disallowed; based on upper range of lowest adjusted available income taxation band (approximation of moderate standard of living).
1981-82 Revised for inflation. Procedure adopted for gradually reducing the conversion rate from six to zero percent when discretionary net worth is negative.
1982-83 Revised for inflation.
1983-84 Revised for inflation.
1986-87 Revised for inflation.

Parents' share of student's social security benefits

1976-77 Rationale for considering student's benefits a part of family income or a direct student resource (or a portion to each) replaced consideration of benefits only as a student resource.

1977-78 through 1980-81
Revision for inflation of levels of available income plus income supplement for determining distribution of student's social security benefits; based on upper range of lowest adjusted available income taxation band (approximation of moderate standard of living).

1982-83 One hundred percent of student's social security benefits considered a direct student resource, regardless of family income level.

Adjusted available income taxation schedule

1976-77 Taxation schedule truncated (55 percent rate eliminated). Revised procedure applied to adjusted available income (with standard maintenance allowance included in its calculation), replaced former procedure that taxed effective income to produce a maintenance contribution and a contribution from discretionary income.

1977-78 through 1986-87
Adjusted available income bands in schedule revised annually for inflation, in accordance with U.S. Office of Education regulations.

Parents' contribution from adjusted available income
Adjusted available income (lower value in range)

	Contribution Rate					
	22%	25% of excess	29% of excess	34% of excess	40% of excess	47% of excess
1986-87	$-3,409	$7,300	$9,100	$10,900	$12,700	$14,500
1985-86	-3,409	7,000	8,800	10,600	12,400	14,200
1984-85	-3,409	6,800	8,500	10,200	11,900	13,600
1983-84	-3,409	6,600	8,250	9,900	11,550	13,200
1982-83	-3,409	6,200	7,800	9,400	11,000	12,600
1981-82	-3,409	6,300	7,900	9,500	11,100	12,700
1980-81	-3,409	5,370	6,720	8,070	9,420	10,770
1979-80	-3,409	4,790	5,990	7,190	8,390	9,590
1978-79	-3,409	4,440	5,560	6,670	7,780	8,890
1977-78	-3,409	4,280	5,350	6,420	7,490	8,560
1976-77	-3,181	4,000	5,000	6,000	7,000	8,000

Number in college

1976-77 Schedule of percentages replaced former procedure for designating a portion of parents' contribution for "maintenance" and dividing the remainder ("discretionary income contribution") by number in college.

1979-80 Procedure revised to reduce standard maintenance allowance by amount for each additional family member in college beyond the first one; total family contribution divided by number of college.

1984-85 Parents no longer included in number in college.

Student's share of student's social security benefits

1976-77 through 1982-83
See parents' share of student's social security benefits.

1985-86 Student's educational social security benefits no longer applicable.

Student's assets conversion percentage

1976-77 Conversion rate of 35 percent replaced former procedure of dividing student's net assets by number of years remaining in college.

Student's summer savings

1976-77 Revised schedule replaced former one.

1981-82 through 1986-87
Based on national minimum wage standard.

Student's Summer Savings

Year in college	1981/82-1986/87	1976/77-1980/81	Former Procedure Men	Former Procedure Women
First	$700	$500	$400	$300
Second	900	600	500	400
Third	900	700	600	500
Fourth of Fifth	900	700	600	500
Graduate or Professional	900	700	600	500

Note: Beginning in 1982-83, a variant of the Consumer Price Index was substituted for the overall Index in updating all inflation-related aspects of the Uniform Methodolgy. The variant, CPI-U/XI, reflects the renter equivalent expenses of urban consumers, and does not accommodate the expenses of home purchase and ownership.

Mr. FORD. Mr. Taylor.

STATEMENT OF DANIEL B. TAYLOR, SENIOR VICE PRESIDENT, THE COLLEGE BOARD, ACCOMPANIED BY DONALD McM. ROUTH, UNIVERSITY DIRECTOR OF FINANCIAL AID, YALE UNIVERSITY, AND CHAIRMAN OF THE COLLEGE SCHOLARSHIP SERVICE ASSEMBLY, THE COLLEGE BOARD

Mr. TAYLOR. Mr. Chairman and members of the subcommittee, I am Daniel B. Taylor, senior vice president of the college board. I am sorry to report that the president of the college board, Mr. George Hanford is ill and unable to present this testimony which he prepared and so much wanted to deliver to this committee today.

I am accompanied by Mr. Donald Routh, university director of financial aid, Yale University, who is chairman of the college scholarship service assembly of the college board.

Mr. Chairman, Mr. Hanford has submitted a longer statement for the committee's consideration, and I will attempt, briefly, to summarize this morning the highlights of that fuller statement. And if time permits, you may allow Mr. Routh to make a few comments of elaboration, also, since as chairman of the college scholarship service assembly he represents the concerns of more than 1,200 colleges and universities in this regard.

I appreciate the opportunity to appear this morning to discuss needs analysis and our related proposal for creating a national commission on student assistance standards. The purpose of such a commission would be to help manage the inherently complex aid system and to reduce confusion for students who must rely on financial assistance from a variety of sources, Federal and non-Federal. I believe that The college board, its member institutions and agencies, have a special expertise on the topic under discussion today, and we share with you a concern that we do all that is possible to achieve the fundamental goal of title IV, equal opportunity for higher education.

Our detailed proposal to establish a national commission on student assistance standards was submitted to the committee as legislative language on April 30. I shall just highlight this morning the background and rationale for that recommendation.

While the Federal Government generates over three-fourths of all student financial aid, States distribute over $1 billion of their own funds to students and postsecondary institutions provide another $2.5 billion. Making this joint financing system work requires flexibility and cooperation among many partners: Federal and State agencies, private organizations, and colleges and universities. Even with such cooperation, however, it ultimately falls to the campus aid administrator to synthesize and interpret multiple rules, legislative mandates, administrative regulations and private decisions for many aid providers in delivering support to the individual student.

Given the huge expansion of student aid in a relatively short period of time and the diversity of programs and sources of assistance, it is not surprising that the system has become complex. Aid administrators necessarily accept such complexity as a way of life.

The challenge is to minimize and manage complexity, unpredictability and instability as they affect students and families coping with forms, deadlines and rules. Such concerns have already been documented by the National Commission on Student Financial Assistance in reports submitted to the Congress and the President before that study commission went out of existence in 1983, and this subcommittee has heard several previous witnesses speak to the problems inherent in the delivery system.

Much of the recent blockage and confusion in delivery of student assistance stems however from a tendency toward gridlock on crucial decisions at the Federal level. Congress and the executive branch have frequently disagreed on student eligibility standards for Federal funds under title IV of the Higher Education Act, particularly the schedules of expected family contributions and determinations regarding allowable costs of college attendance. Indecision at the Federal level obstructs timely and orderly delivery of aid throughout the system, makes it difficult for students and families to plan ahead, and inevitably runs counter to the goal of equalizing educational opportunity.

As Francis Keppel, former U.S. Commissioner of Education has observed, and I quote: "A delivery system that integrates multiple sources of assistance cannot function in a pattern of fits and starts without seriously eroding the effectiveness of aid programs. Student financial aid, above all, needs stability to work well."

Since 1981, the National Student Aid Coalition has provided an informal deliberative and consultative mechanism for addressing these issues of methodology and timeliness. Under the coalition's auspices, members of the student aid community work together each year to develop a common standard by which an individual student's need for Federal campus-based aid, State, private, and institutional funds will be calculated. The product of these discussions in the annually revised and updated uniform methodology.

What is significant about this process is that all the financial aid partners, Federal as well as non-Federal, participate in shaping this common standard of ability to pay so that it meets their respective individual and collective requirements. The dynamics of this process, allowing for discussion, exchange and accommodation, have worked well and have discouraged the development of widely divergent needs analysis systems at the State and institutional level. Most of all, students whose aid so frequently comes from a combination of sources have benefited from this consensus-building process. Unfortunately, the coalition, financed by foundation funds, is scheduled to expire in December of 1985.

The present reauthorization process, therefore, is an auspicious moment to propose and examine alternatives for the establishment of needs analysis standards that all partners can use. It seems to me that there are two basic alternatives to improving the student aid system. One is to establish, as the college board suggests, a formal intermediary body within the executive branch, a National Commission on Student Assistance Standards. The other is to encourage the Congress write clear, unambiguous and specific provisions into law that spell out in great detail the requirements needed to carry out the Student Aid Program.

While each of the possibilities may have strengths and weaknesses, we clearly prefer the former to the latter. Let me explain why briefly. The commission would provide the mechanism for regular, timely and appropriate consideration of all factors related to needs analysis as it affects all the parties: the Congress, the administration, States, institutions, lenders, and students. Its findings and recommendations would readily be available to all concerned, including this committee, in order to provide the best informed decisionmaking possible.

Additionally, we think that such a commission would offer the best potential for preserving a unified approach to needs analysis and eligibility determination which, above all, is in the interest of students.

And finally, while the establishing of a commission is no panacea, we do believe that prescribed consultation, legislative intent and date certain for action, all built into the commission structure, offer a reason for improved continuity and needs analysis so that students and families trying to make college-going plans will not be stymied.

Mr. Chairman, let me assure you and members of the subcommittee that our proposal is in no way intended to inhibit the congressional prerogative to decide how Federal funds are spent. Congress would, of course, continue to set broad policy guidelines for incorporation into needs analysis. The workings of the broadly based commission we proposed would ensure that legislative guidelines are translated into a flexibile and equitable delivery system.

As to the suggestion of writing specific detailed provisions into the higher education law, it is our view that such an approach would not be productive, but rather would lead more likely to cumbersome, static, inflexible—and sooner than anyone might realize—outdated provisions that would add to, rather than subtract from, the confusion, delay and uncertainty that too often affects the system today.

The needs analysis environment is just too dynamic, evolving, complex and uncertain to be described so precisely in legislative language. The economy, the structure of the Tax Code and its interpretations, inflation rates, welfare eligibility rules and regulations—just to name a few of the factors affecting student need—are changing almost daily. To illustrate, for example, a number of years ago, acting out of concern for double-digit inflation on families, the financial aid community began indexing the tables in the uniform methodology. This occurred several years before similar adjustments were made in the Federal Tax Code. There is no need to belabor the point, but I think it abundantly clear changes in all the factors affecting student financial aid occur much too fast to permit their being translated into legislative language in a timely fashion.

Mr. Chairman, I respectfully submit that the National Commission on Student Assistance Standards is an alternative that should be given serious consideration by your subcommittee. No matter what you, the subcommittee, may take of our specific proposal, I hope that you will think long and hard before moving to write needs analysis procedures and standards into the law. The positive accomplishments of title IV, the opportunity provided to millions of students, could be seriously eroded.

Thank you for giving me this opportunity to appear today. The college board looks forward to workng with you during this reauthorization process by providing technical resources on these and other issues. Our Washington office recently delivered testimony on problems of the nontraditional student, and will testify in coming weeks on the definition of self-supporting students and new programs to attract teachers. We stand ready to help in any way we can.

I would be happy to respond to your questions, Mr. Chairman.

Mr. FORD. We will have to take a brief recess while we answer this rollcall.

[Recess.]

Mr. FORD. Mr. Routh, did you want to add something?

Mr. ROUTH. Thank you, Mr. Chairman.

I would like to take just a few minutes to speak more directly to the matter which is of central importance in the administration of student assistance; namely, the maintenance of the needs analysis system. To put it boldly, the suggestions that there be a single system of needs analysis and that the specific details of needs analysis might become a function of the Federal legislative process are the most disheartening prospects in my 20 years as a financial aid administration.

President Hanford's written testimony addresses this concern in more detail than was possible in Mr. Taylor's oral presentation, and I urge you to give careful consideration to his comments. I just wish to speak to you this morning in a second voice. And while it is true that this voice reflects my position as the aid administrator in my own institution, I also speak to you as chairman of the College Scholarship Service Assembly, a membership assembly within the college board of almost 1,200 colleges and universities, public and independent, 2-year, 4-year, and graduate and professional.

More specifically, in preparing these remarks I consulted my colleagues in a number of the major public universities around the country, including Pennsylvania State University, University of North Carolina at Chapel Hill, Wisconsin, Purdue, and Indiana Universities, and the California State Universities at San Jose and Santa Barbara. These public institutions, whose student costs for out-of-State students, by the way, are comparable to that of a typical independent institution such as Fairleigh Dickinson, together with private colleges such as Yale are unanimous in their support of the continuing evolution of an independent needs analysis system which, in our opinion, provides greater assurance of viability, flexibility, and sensitivity to the range of needs of families of various size, financial strength, and special circumstances.

Attractive as the principle of a single needs system may seem, many of us who are responsible for administering substantial amounts of State, private, and institutional funds believe that it is unlikely that a single formula can be developed which would best serve the separate purposes of Pell grants, campus-based programs, guaranteed student loans, and a wide range of non-Federal scholarship and loan programs. The danger, of course, is that a federally legislated system might not ultimately meet the needs of those institutions in which Federal grants represent less than 50 percent of their total scholarship resources, including those for whom I speak today, in which case we might well return to the confusion of multiple forms and multiple needs analysis system which characterized the administration of financial aid in the decade of the seventies.

But even should the uniform methodology become the standard for a single system, as Dr. Donaldson has recommended this morning, we believe that the creation of an independent group such as the national commission which the college board has proposed and which would, in effect, succeed the existing coalition, holds better prospect of forging and maintaining a broadly acceptable consensus of family ability to pay for education by persons who are directly responsible for the administration of financial aid and who are more likely to be able to respond in a timely and sensitive way to changes in the economic environment in which students and families must plan and arrange to pay for their educational expenses.

Less my position be misunderstood, Mr. Chairman, let me reiterate our understanding and commitment that we are in no way intending to inhibit congressional prerogative to decide how Federal funds are spent. We simply think the preferred approach would be for the Congress to establish the broad guidelines and principles within which a group such as the national commission would determine the specific details of the system.

Thank you very much, Mr. Chairman.

Mr. FORD. How would your new system, as you describe it, with the national commission be different than the way it is done now?

Mr. TAYLOR. I am sorry. I didn't hear the question.

Mr. FORD. I am looking at this end of the table. You are proposing a national commission to advise the Secretary to write the regulations. Now how is that different from what we have now?

Mr. TAYLOR. Well, Mr. Chairman, in the specific language that we submitted we suggested that the commission be comprised of 18 members, 6 appointed by the Speaker of the House, 6 by the Senate, 6 by the President, in such a way that and drawing on a wide variety of people with differing backgrounds having to do with financial aid.

Mr. FORD. I can understand how you get them picked, but how is what you are describing different than what happens now?

Mr. TAYLOR. Well, there is no—what happens now is informal, extralegal and outside the decisionmaking structure. The coalition——

Mr. FORD. No. The Secretary writes the regulation now, doesn't he?

Mr. TAYLOR. Yes. He doesn't do that with the benefit of such a commission, however.

Mr. FORD. The Secretary sat where you are sitting, told us that there were families with—13,000, as a matter of fact, students who came from families of $100,000 income who were getting substantial student aid.

We asked him, if that is true, who writes the needs analysis?

And he said, "Well, I guess we do."

Why does your needs analysis permit that to happen if that is presumptively bad?

And of course there aren't 13,000. We haven't been able to find 13.

His answer was that he has to consult with all these educators who tell him what should be in the needs analysis, like the college board, and it is really your fault. That his predecessor listened to too much advice from the outside.

You want to give that Secretary now the authority, unimpaired by our lack of political wisdom in writing strict guidelines for what a needs analysis should be, carte blanche to consult with an as yet unknown group of 18, and drink tea with them if he wants to, and then smile at them and say, "Thanks, I'll see you," and go ahead and write whatever he wants anyhow. There is nothing in your proposal that says that he is in any way bound.

Mr. **Taylor.** That is true.

Mr. **Ford.** So what is the purpose of the 18-member commission?

Mr. **Taylor.** Well, I think assure that that would be done in the light of day. That it would represent the interests——

Mr. **Ford.** How? How?

Mr. **Taylor** [continuing]. Of both the House—it would be a public commission.

Mr. **Ford.** The commission can be as public as it wants. You can have a convention with 10,000 people there. But the Secretary still signs off on something some bureaucrat put together last night. And he walks in, and he has got a deadline. He puts it on the Secretary's desk, and the Secretary looks at his adviser on philosophy and policy, or whatever he is called, and says, "Do I sign this?" "Yes, I sign it." And that is how you get a regulation.

Now how is that different? I don't see that you are giving us any kind of assurance that we are going to have what you keep describing as a flexible, adaptable system. Because it is only as flexible and adaptable as a Secretary. And you have suggested that institutions like Yale think this is a great idea. I would like to have something from the president of Yale saying he would like this Secretary to have continued unfettered authority to write the needs analysis. I don't think you can get it for me.

Mr. **Taylor.** Well, there is no question about it that we are not suggesting that the Secretary not have those——

Mr. **Ford.** Do you think that any president of the expensive private institutions in this country is going to write a letter saying give the Secretary unlimited power to write these things?

Mr. **Taylor.** I can't speak for those presidents.

Mr. **Ford.** Well, then you are not paying attention to what the Secretary has been saying about the expensive private colleges that don't teach, that are ripping off the students—I am using his words not mine. I don't think right now you are going to get these colleges to accept the idea that we ought to bow out of the game and just let the Secretary do it.

Why do you think it is not possible with the wisdom of people like the 18 who would be on that commission to write a needs analysis into the statute?

Mr. **Taylor.** Well, I think it certainly could be done. Our concern is that the degree to which it could be continually revised and adjusted as conditions change, it seems to us that the legislative route is a route, but not necessarily the best route. We just think that it would not be the best alternative.

Obviously it can be done. But whether it could be done over time and continually changed as required is another matter.

Mr. **Ford**. The staff just points out to me that they have just issued a regulation on the Javits Fellowships. And even though I know of no one on this committee or the Senate committee who believes that the $32,500 income cap that they suggested makes any sense at all, it is now in the regulation. They are going ahead as if Congress had acted, as if we had accepted the wisdom of an arbitrary income cap. And that is what you get when you leave these things to the writing of regulations and you don't legislate them.

Now, as cumbersome as it is to change legislation to improve it or to make it worse, it always happens out in the open, and it has proponents and opponents to every point of view that is raised. Not when Secretaries write regulations. And I find it, frankly, quite interesting at this particular time to have you speaking on behalf of your prestigious organization to enhance the power of the Secretary on into the future. I am just not hearing this from people in education in any other context at all.

I don't want to be quarrelsome with you, but suggest to you that I am not at all impressed with the fact that we can't write a needs analysis or, indeed, more than one needs analysis. If we can't write a single needs analysis, we can at least tie down the needs analysis so that we don't have a Secretary who believes that public policy is made by appointed bureaucrats writing the policy for who will and who will not receive money in the future.

If you let him, he will write a needs analysis I am sure that will make darn sure that nobody from a family over $32,500 ever gets another student loan, because they believe that that is writ in stone someplace. Now that is what we are a little bit alarmed about. The Secretary sat where you are sitting and said that he is going to go back and visit those needs analysis and tighten them up, by golly, if 13,000 kids from families of $100,000 can do it and he has the power to do something about it.

Now we don't know what he is writing over there, but I can guess that we aren't going to catch very many people from families of $100,000 but we are going to catch a lot of other people that we think ought to have help to go to college.

Mr. **Taylor**. Mr. Chairman, just let me say that this proposal is not made in any way to support this Secretary or this administration——

Mr. **Ford**. No; your proposal is made to oppose, as you made clear, the idea of a statutory needs analysis. And that point is made by you and made by Mr. Routh and emphasized, and that is why I am having some difficulty with it. Almost everyone else, even though they may have a different idea about what the needs analysis ought to be, thinks that it ought to have statutory protection. Not against this Secretary, against any Secretary.

We have tried it the other way and it has worked relatively well until very recently when we have people in an era of budget cutting who decided that the way to show budget savings is play with needs analysis, and that is not what should be at work, is it? It may be somewhat relevant, but to use a needs analysis as a tool to screen people out so you can save money in the program seems to me to defy the whole purpose of all these student aid programs. And you are not going to be able to insulate yourself from the politics of an administration that says that is the primary consideration in everything we do, and has apparently appointed enough true believers so that they do it.

Dr. Horn, the chancellor of your system visited me earlier this year and expressed a concern about the undocumented student who is not now permitted to get aid. Are you familiar with that problem in California?

Mr. Horn. I am, and I think it is a very legitimate concern. I do not believe that students should be denied access to American higher education because they cannot prove their residency. If they are here, they are here, and I think we ought to deal with reality. So I agree with the chancellor.

Mr. Ford. Well, I think we tend to, also, except we don't know how to define the people who are here because we have another boat group of some kind every once in a while. And they don't all come by boats, they walk across the bridge from Windsor into Detroit, too.

Mr. Horn. Right. You and I have discussed this before. The Nation has a real problem in this area. I just don't think you hold it against young people for what many of their parents might have done, although some of these might be the parents themselves coming across the border.

Mr. Ford. Well, if you can find a way to define these people so you take care of that kind of a person, someone who indeed has grown up here, been educated in our public schools, and then finds when they want to go to college with their classmates but because of their legal status, to wit, the illegal entry of their parents, they are denied aid, it is pretty hard for them to understand I am sure.

Mr. Horn. I think what we are talking about are those that are graduates of our secondary school system we do not feel ought to be questioned as to their residency. If they are a California high school graduate, why should we suddenly start questioning that in California postsecondary education. Now there is going to be exceptions to that as people move across borders and so forth, and then you simply have the nonresidency laws of California apply to those students in the same manner as anything else. But I think the concern a lot of us have is about those who are graduates of the California public schools, and then to have an issue of undocumented, illegal alien, et cetera, thrown into it, I don't think makes much sense when the student has been there a number of years.

Mr. Ford. Let me ask you about your proposal in your comments about loan forgiveness for people who will pursue education as a career. The last time we did that we had a real and a perceived tremendous shortage of teachers at the elementary and secondary level. We had the baby boom coming through the pipeline. And it worked rather well. Some people say that it worked too well because we, for a short time, had a surplus of teachers. In some places we have a surplus now, but all of the figures indicate to us that we are going to be facing very severe shortages in a couple of years.

Other studies seem to indicate to me that since women have been liberated the best and the brightest are not going into education anymore; they are going into law, medicine, dentistry, architecture, engineering, and business schools. The percentage of graduate degrees in education going to females has been going down, while a percentage of graduate degrees in all these other fields—that are female—have been going up.

With that in mind, would you consider a loan forgiveness that was limited in some way to the top 10 percent of the academic achievers?

Mr. **Horn**. Well, that would be one reasonable approach. As my testimony indicated, I was talking about loan forgiveness strictly on the college-staffing level, not precollege.

Mr. **Ford**. We have had this proposal from others who were, of course, talking about it more generally for all who go into the field of education.

Mr. **Horn**. Yes.

Mr. **Ford**. The problem is the same wherever you find it. It isn't going to be solved by loan forgiveness because as long as it is the lowest paid profession——

Mr. **Horn**. Exactly.

Mr. **Ford** [continuing]. You are not going to attract the best and the brightest into it for a long-term career.

Mr. **Horn**. Yes.

Mr. **Ford**. With loan forgiveness you can get a few years out of them and then they will get out and go do something that makes a lot more sense to them economically once they have children and other responsibilities, but at least you would have those years. And I think there might be some salability to such an idea if you could promote it as a way that you are promoting excellence in response to "A Nation at Risk" by trying to encourage the best and the brightest as measured, crudely, of course, by grade point levels into education for some period of time.

Mr. **Horn**. That would make sense certainly at the postsecondary level, and I would have no problem putting that restriction on that aid. I think you might get into other arguments at the secondary and elementary levels with the upper 10 percent. I agree with you completely the problem there has primarily been money, and I have made the same comments you have made on many occasions; that no longer are women only relegated to elementary-secondary teaching jobs and welfare work or staying at home. They can do anything anyone else in society can do. And there it gets down to money.

And the college level, while there are still severe financial problems, it is not simply money, although there are other competing occupations they get into such as law or medicine that would pay equally as well. But there is a problem. It is a long, hard haul to go through that Ph.D. or other appropriate terminal degree. And law is, say, taking 3 years and you are out on the market. A Ph.D. is generally going to take probably 4 or 5 or maybe more. And there is some need to give that encouragement and then forgive it on a year-for-year basis for teaching in an accredited university or college.

But I would have no problem with the upper 10 percent because if they aren't in that they shouldn't, frankly, be pursuing a Ph.D. anyhow with rare exception. I have seen one or two exceptions where C students have been straight A at the graduate level because they finally got excited about something, and I don't want to deny that. But if one has to put some limits somewhere in order to get something adopted to make some fundamental changes, I think that is not an unreasonable limit.

Mr. **Ford**. Thank you very much.

Mr. Hayes.

Mr. **Hayes**. Mr. Keeling—and thank you, Mr. Chairman, by the way—I notice in your statement you say you expect to finish school next year, 1986; is that right?

Mr. **Keeling**. Yes, sir.

Mr. **Hayes**. Are you a recipient of a direct grant program, a loan, or what kind of assistance are you getting currently with your education?

Mr. **Keeling**. I am receiving a direct grant and loan. Primarily loans.

Mr. **Hayes**. Are you currently employed now?

Mr. **Keeling**. Yes, sir.

Mr. **Hayes**. What is the status of the repayment of your loans? This is important. Not just for you, but I mean in terms of the survival of the program itself.

Mr. **Keeling**. Right; I do not have to repay my loans until, obviously, after I graduate. Are you curious about my debt burden currently?

Mr. **Hayes**. Yes; I would like to know.

Mr. **Keeling**. Currently I am at about, I would say at $8,000 in debt for my career. That is excluding my final year. I intend to borrow another $2,500 to make it through my final year of school.

I might add for the committee today that there is no criteria that I am familiar with to establish a student financial aid budget for an unmarried father. I take it, then, that their financial aid administrators had to use their own discretion in that regard. In my particular case, I will simply say that I have access to borrow; however, I don't quite have enough to purchase a stereo or a new car or anything of this nature.

Mr. **Hayes**. Or go to Florida, you know.

Mr. **Keeling**. Yes.

Mr. **Hayes**. Did you want to comment?

Mr. **Horn**. I just want to add something in a minute, if I might.

Mr. **Hayes**. I want to raise a question along the lines of the chairman's. I am bothered, too, about the recommendation that we establish yet another commission, you know. I don't quite know how it is going to help. I am concerned about the area of the decline in enrollment of, in particular, black students, and to all institutions of higher learning.

I don't know whether, Mr. Hanford, you had the chance to read Mr. Keith Richberg's article that was published in California, I believe. "Fewer Blacks Finding Their Way to College" was the headline of that article. He went on to lament that, in reference to what was an unbelievable statistic, that out of 34,000 students at UCLA only 330 are black—less than 1 percent. I don't know what the percentage of enrollment of blacks are at the institutions which you represent. I would venture to say and hanker to guess it is probably no greater percentage than that at Yale.

How would a commission, for example, change what seems to be the bottom-line position of what we have been proposed with from the administration as we face up to this problem of education?

The effect of the proposal, if agreed to, will cut financial aid to college students and reduce the spending on public education. I think this is greatly hindering the chances for the disadvantaged to help break that poverty cage in which a lot of them are caught up in now. How would a commission, for example, add to a solution to that kind of a problem in view of the position of the administration on the overall approach to this problem of trying to fund or help and assist students who want an education, who may be at a disadvantage at the college level, and at the same time reducing aid and assistance to those at the elementary level accelerating the whole dropout problem?

Mr. **Routh**. Mr. Hayes, I will turn to Mr. Taylor to speak on behalf of the college board because I know that problem is one of the major concerns of the board. I would simply like to address a specific question that you implied.

For your information, at Yale the current enrollment includes approximately 9 to 10 percent black students, and our total minority enrollment is approximately 17 percent.

But Mr Taylor can speak more generally to the issue.

Mr. **Taylor**. I am not at all sure that any commission established or not established will answer those concerns. As Mr. Routh indicated, the college board was one of the first, as a matter of fact, to publish last January the facts having to do with the erosion of black enrollment that Mr. Richberg—you referred to Mr. Richberg's article, which I am not familiar with. But what you suggest is true throughout the country and, unfortunately, that decline in black enrollment particularly began to occur in the last part of the 1970's. The degree to which it is tied to financial aid is difficult to say. I don't think that in any way anyone ought to interpret our recommendations concerning a national commission as endorsing the current administration's attack on student financial aid or the reduction in eligibility for student financial aid.

We are concerned that the coalition that has currently been in existence that has helped to shed light on the problems of student aid is going out of existence in December of this year and that there will be a void that won't be filled unless there is some other group instituted to shed light on the reality that you point to, Mr. Hayes, and that Mr. Richberg has written about. So that that is our interest.

But I can't say that the establishing of a commission will reverse that. It is a very serious problem.

Mr. **Hayes**. You are aware of the fact that there is a serious feeling that if we continue to go in the direction we are going, and it is beyond just a racial issue in many instances, it is a question of economic interest. We are saying that we are going to have a public and a higher educational school system that is only going to be available for those who are part of the very affluent, and this is what disturbs me. And I wonder if a commission could maybe address itself to this very serious problem, you know. Is it intended to address this very serious problem?

Mr. **Taylor**. I would assume that that commission certainly would address that issue along with all the other issues having to do with access to higher education, including to graduate schools as well as to undergraduate schools. I should just say that the college board in 1980 initiated a project called Project Equality which has as its purpose trying to increase the number of minority students who are prepared for and able to go to college. It is one of our highest priorities, and we very much lament the circumstance that has taken place over the last 4 or 5 years.

Mr. **Hayes**. Thank you, Mr. Chairman. I have no further questions.

Mr. **Horn**. Mr. Chairman, if I might just offer one more suggestion, and this I do as an individual, not on behalf of the American Association of State Colleges and Universities. One area I think where down the line we need to do something for the good of the country, and it involves student financial aid, is trying in a very small, limited way to use some of the programs in place to solve what is a major growing problem for America, and that is a failure to involve potential foreign leaders in an American education at their undergraduate years. As you know, over the years the policy of the U.S. Government has been to only provide a few limited graduate fellowships or visitor traineeships once a person is on their way abroad.

Very frankly, for those of us that have been observing international education for years this country is way behind where it should be in building the type of relationships with the newer economic classes and the rising economic classes of the developing nations of the world. I happen to serve on the board of the Institute of International Education and, as you know, they publish annually the listing and demographics of foreign students attending American universities. The U.S. Information Agency usually files with House Appropriations what the Soviet Union and other countries are doing abroad in this area.

A few years ago, as I remember, the figures on Africa were that there were 27,000 students studying abroad from African nations: 24,000 were in the Soviet Union and East European satellites, 3,000 were in the West, if you will. I think that is a tragic situation. And it seems to me one way we could take the financial aid structure and make a dent in that situation, since there are around 2,500 to 3,000 American postsecondary institutions, is to have USIA operate a merit scholarship program abroad for people, not just the sons of sheiks which can get here under their own power, but people in the backwoods such as those that were picked when the Venezuelan Government had a program that reached out to the rural communities, brought talented young people, lower socioeconomic classes to this country as undergraduates.

Let USIA pick them and then permit each American university and college just to have, say, one student who is a foreign undergraduate and be able to use a Pell grant situation where they would have one Pell assigned automatically to an American university or college for that purpose, and that would include community colleges, and then permit a forgiveness feature in the campus-based aid for the other expenses that are needed if that student went back home. Otherwise, a student, if they became a permanent resident here, would owe the money here.

I think that type of program in the long run where we are becoming increasingly isolated in many nations of the world that we are going to need as partners in the years ahead—and I think of Africa and other Third World developing nations—that kind of program it seems to me is in the national interest. And I realize it isn't before Foreign Affairs/Foreign Relations. They have got another solution to the problem going through the Mathias bill in the Senate, Majority Leader Wright's bill in the House, of action they have taken in the authorization bill on foreign aid appropriations.

But it seems to me this would encourage decentralization and get every American institution, if it wanted to. I would leave it up to the institution. If there is so much pressure that they say one more foreign student from abroad will deprive X, Y, and Z of the chance for an education, fine, forget it. Leave it up to the institution. But at least provide the framework where USIA could select bright people of rising economic classes, those that will be in power 10, 20, 30 years from now, and give them a chance to see this country and its people and then go home.

I can assure you as a university that has about 4,000 foreign-born students of which only 1,700 are visa students, the others are political refugees and so forth, that the chance to have an education in America changes a lot of opinions. And there are very few of the rich on the campus, but there is a lot where the families are very well off in order to make it, and I know it is difficult for even middle-class students abroad to get to this country. And I am interested in what we do about the middle class and the rising classes that will someday become the middle class.

Mr. Ford. I would be happy to support any effort in that regard as long as it comes out of the foreign aid budget and not out of our money. We can't even get money to fund our own international education programs to teach Americans about foreign countries and culture, so getting it through our budget is a lost cause. We would never get the money for it. If we put an authorization like that on the books, we would never see the first dollar of appropriations. But if it comes in the form of a request for foreign aid, it would get funded I suspect.

Thank you very much, all of you on the panel, for your assistance to the committee.

Mr. Ford. Now, our friend, Congressman Cecil Heftel, from the great State of Hawaii.

STATEMENT OF HON. CECIL HEFTEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII

Mr. Heftel. Not unlike returning to one's alma mater, there is a bit of nostalgia when we return to our committee of first service in the Congress.

Mr. Ford. We miss you on the committee.

Mr. Heftel. And I was quite interested in listening to your reactions to the establishment of the additional commission, and had to smile silently.

I am very pleased, Mr. Chairman, to be able to introduce to you and the committee today a gentleman who has had probably the leading and strongest commitment that has been identified in Hawaii to the advancement of the welfare and education of the native Hawaiian people. And as you may recall, during the 96th Congress Mr. Myron Thompson appeared before you asking for educational assistance for native Hawaiian children. At that time you requested that a commission be established to provide Congress with more specific evidence of the unique problems of native Hawaiians.

The commission was created, a study has been done, and I am delighted to say Mr. Thompson is back conversant with the kinds of proposals and statistics that are both reasonable and constructive and which will hopefully attract and warrant the attention of Congress.

Mr. Thompson is trustee of the Kamehameha Schools, Bishop Estate, and he is chairman of the native Hawaiian educational assessment project, and I feel a great sense of pride in introducing him to you at this time with his findings for the committee.

Mr. Thompson?

Mr. **Ford**. Let me say on behalf of the committee we are pleased to have both of you back.

Mr. **Thompson**. Thank you very much, Congressman.

Mr. **Ford**. We wish you were still on the committee, Cecil. And I remember how you harassed us to get the little bit of progress that was accomplished during that Congress.

Mr. **Heftel**. As I recall, I did it with you personally, sir.

Mr. **Ford**. It was in the conference I am afraid that we were done in and ended up with the commission.

Mr. **Heftel**. That is right.

[The prepared statement of Myron B. Thompson follows:]

PREPARED STATEMENT OF MYRON B. THOMPSON, TRUSTEE, KAMEKAMEHA SCHOOLS/BERNICE PANAHI BISHOP ESTATE, HONOLULU, HI

Good afternoon Mr. Chairman and members of the committee. My name is Myron B. Thompson. As a Trustee of the Kamehameha Schools/Bishop Estate, I would like to thank you for this opportunity to testify before your committee.

Almost six years ago, on November 14, 1979, I came before you in a joint hearing with the Elementary, Secondary, and Vocational Education Subcommittee to ask for special assistance to address the unique educational needs of Native Hawaiian people. At that hearing and subsequently in conference committee on the Higher Education Extension and Revision which you chaired, Congressman Ford, it was determined that we lacked sufficient data to support our requests. However, the conference Committee was able to facilitate the implementation of a comprehensive educational needs assessment project by authorizing the Native Hawaiian Education Study. (H.R. 5192, Report No. 96-1337).

We thank you for your assistance in making it possible to gather the needed data, for today I am able to come before you to report on the results of the study and ask your assistance in those areas in higher education where we have found continued need for special assistance.

THE RESULTS OF THE NATIVE HAWAIIAN EDUCATIONAL ASSESSMENT PROJECT

The Native Hawaiian Educational Assessment Project, the eventual name of the study, was completed and presented to Secretary of Education Bell in March of 1983. Prepared under the auspices of the Department of Education and, due to a cut of federal funding, financed by Kamehameha Schools/Bishop Estate, the report confirmed that Native Hawaiian students suffer from an across-the-board lack of parity with their peers nationally. Specifically, the report demonstrated the following major needs:

1. **Standardized Achievement Needs.** Hawaiian students score below parity with national norms in reading and math, and they are well below the other ethnic groups in Hawaii.

2. **Special Education Needs.** Native Hawaiians face a wide array of economic, physical, and mental health problems which affect their academic achievement.

3. **Culturally-related Academic Needs.** Hawaiians have increasingly become "strangers in their own land" and lost remnants of their values, lifestyle, language, beliefs. This loss has manifested itself in depression, self-disparagement, and inferior scholastic achievement.

Full documentation of the needs are contained in the report and a copy has been submitted to the committee. Briefly, some of the more telling statistics relevant to **higher education** are as follows:

I. **Native Hawaiian Students are Disproportionately Underrepresented in Higher Education Studies.**

The Native Hawaiian Educational Assessment, Final Report indicated that Native Hawaiians, designated Native Americans, are among the four largest population groups in the State of Hawaii. They constitute approximately 19-20% of the state population, but comprise only 7-8% of the total enrollment in the University of Hawaii system. By contrast, Japanese, which comprise 22% of the state population, accounted for 31% of the total enrollment at the university in 1983.

II. **Native Hawaiians are Severely Underrepresented at Baccalaureate Granting Institutions.**

Hawaiians are particularly underrepresented in achieving first generation baccalaureate degrees in their families. Native Hawaiians comprised only 4.6% of the enrollment at the University of Hawaii at Manoa in 1983, the major baccalaureate granting institution in Hawaii, the only public one where the majority of the state population reside, granting almost 90% of the degrees) By contrast, Japanese account for 36% of the enrollment.

III. **Native Hawaiians Encounter Multiple Barriers in Their Efforts to Attain a Higher Education.**

. Native Hawaiian students come from families who are among those with lower per capita income. The average family income in Hawaii, according to the 1980 Census, was $26,629, while the average family income for Hawaiians was $22,166. The per capita income for individuals was $7,740. For Hawaiians it was $5,328.

. Native Hawaiian students come from families with a larger family size. Some 37% of all Hawaiian families have 5 or more persons, while only 24% of all families statewide have 5 or more persons.

. Native Hawaiians come from families with greater health problems and higher health costs. Lower life expectancy, over-representation among victims of diabetes, cancer, and hypertension, congenital anomalies, and infant death incidence are some of the physical health problems which beset Native Hawaiians.

With these multiple barriers it is very difficult for the Native Hawaiian higher education student to afford the costs of tuition, books, and other costs incumbent with higher education. Furthermore, Hawaiian students who apply for scholarship assistance face stiff competition from other predominant ethnic groups in Hawaii whose performance exceeds national norms.

IV. Native Hawaiian Adults are Disproportionately Employed in Lower Income Positions.

Hawaiians make up 10.8% of the civilian employed population. They fill only 7.2% of the Managerial, Professional Specialty occupations but 17.8% of the Operators, Fabricators, and Laborers. Specifically, they account for only 4.5% of the health diagnosing and treating occupations, only 6.8% of all elementary and secondary teachers, yet they comprise over 25% of motor vehicle operators and 29.9% of police and firefighters.

V. Native Hawaiians Account for 40% - 45% of Those in Correctional Institutions in Hawaii.

VI. Admission of Native Hawaiians to Higher Education Programs is Further Jeopardized by Absenteeism in High School.

In the ten Hawaii Department of Education schools that had the highest absenteeism rate in the state in 1981-82, Hawaiians had higher absenteeism than all others. Over one third of the Hawaiian students in grades 7-12 are considered excessively absent, and in some schools over 60% of the Hawaiian children are excessively absent.

VII. Too Many Hawaiians Perceive Themselves as Being Inferior.

In addition to these numerical statistics, much anecdotal evidence exists of self-disparagement among Native Hawaiian youth leading to low educational aspirations. A study (McNassor and Hongo, 1972) of why so few Hawaiian students attend the University of Hawaii produced typical comments:

"We are not smart."
"Afraid to try."

"Not good students like the Japanese"
"People think we are stupid."
"A teacher told me not to try, it would be too hard
for me."
"Might fail."

The main areas of need identified by the Native Hawaiian Educational Assessment Project in 1983 have been **reconfirmed** by continued needs assessment efforts of the Kamehameha Schools/Bishop Estate, efforts which are, of necessity, on-going.

PROPOSED SOLUTIONS

These are severe problems, both in terms of their human and their economic costs, but they can be remedied. A broad attack on this problem, combining federal, state and private initiatives at the secondary as well as the post-secondary levels, is considered essential.

Already in the areas of Vocational Education and Library Services, where federal funding has been made available, the State is playing an effective role in coordinating efforts on behalf of Native Hawaiian students. Private institutions, including the Kamehameha Schools/Bishop Estate, are playing an active role in providing matching funds, instigating further legislative change, and demonstrating a long-term commitment to to the effort. Of utmost importance, Congress is continuing to assist. Federal programs are proposed in the Education and Labor Committee draft of the Higher Education Act reauthorization which directly address some of the unique problems of Native Hawaiian students.

Teacher Training Programs

We ask that you support those Sections calling for the training of educational personnel who will specialize in the teaching of disadvantaged Native Hawaiians. This includes the development of model projects to carry out improved pre-service or support activities for teachers of Native Hawaiian elementary and secondary students.

We at the Kamehameha Schools/Bishop Estate have begun a program which has been successful where public and private institutions have joined forces in attacking the problem. We train teachers in the public schools of Hawaii to teach Native Hawaiian youngsters who are achieving well below their peers nationally and locally.

The curriculum and methods developed in this multidisciplinary educational research program are culturally compatible with the learning styles of the student, systematic, and data-based in the measurement of student and teacher performance. The costs incurred in this program are absorbed totally by us. The State of Hawaii Department of Fducation cooperates with us by allowing its teachers to volunteer to participate and be trained.

Efforts in the six elementary schools so far have yielded student achievement gains at a par with the nation. However, expansion is limited by financial resources and the lengthy process of retraining teachers to implement this program.

Your support of the Sections which will allow for expansion of this program into more schools and into the university system where beginning teachers are being trained, thus avoiding the time-consuming retraining component. The Kamehameha Schools/Bishop Estate stands ready to continue to share costs in the implementation of this effort.

Grants to Students in Attendance at Institutions of Higher Education and Special Programs for Students from Disadvantaged Backgrounds

There is great need for financial aid and other programs designed to assist Hawaiians in applying for, gaining admission to, attending, and completing degree programs in institutions of higher education. Hawaiians face stiff competition in vying for entrance and financial assistance, especially from other local minority groups.

We ask that you support Sections which would give some special assistance to Native Hawaiians in addressing this problem.

Work-Study Programs and Community Service

For many Native Hawaiians, most of whom are first generation baccalaureate degree seekers, participation in a Work-Study program in addition to the receipt of direct financial assistance, is necessary to afford continued enrollment. Additionally, community service work within Native Hawaiian communities will assist these students in better understanding the difficulties of their people, thereby facilitating future efforts on behalf of Native Hawaiians.

We ask your support of those Sections of the Higher Education Act reauthorization which provide for programs addressing these needs.

Fellowships for Graduate and Professional Study

As you can see, we are attempting a wide range attack on the needs described in the assessment project report. We feel this is necessary if we wish to succeed in reaching parity with the nation and with our local population. Thus, not to be forgotten is graduate and post-graduate assistance. We strongly urge your support for the Section of the Committee draft which provides for fellowships for Native Hawaiians in these areas.

Mr. Chairman, I would like to point out that my organization operates a financial assistance program for Native Hawaiians; distributing memorial scholarships, our own financial aid program funds, and funds from other organizations serving Native Hawaiians which have been placed under our administration. This service could also extend to federal financial aid for Native Hawaiians if deemed appropriate.

In Summary

To summarize, then, Mr. Chairman and members of the committee, we sincerely ask your assistance in helping to make reality the following higher education programs which can assist Native Hawaiians in their efforts to achieve parity:

Teacher Training Programs;
Scholarships and Grants for Native Hawaiians in Higher Education;
Special Programs for Native Hawaiians Preparing For and Succeeding in Higher Education Programs;
Work Study and Community Service Programs; and
Fellowships for Graduate and Post-Graduate Work

Conclusion

Mr. Chairman, I thank you again for your help in addressing the unique educational needs of Native Hawaiians. I am pleased to report to you that although needs remain, there are programs which are actually underway which can make a profound difference in the lives of many Native Hawaiians, and I sense that these efforts will result in ultimate success. We at the Kamehameha Schools/Bishop Estate are encouraged to work even harder and further dedicate ourselves to being active partners with federal and state efforts on behalf of Hawaiians.

STATEMENT OF MYRON THOMPSON, TRUSTEE, KAMEHAMEHA SCHOOLS/BISHOP ESTATE, AND CHAIRMAN, NATIVE HAWAIIAN EDUCATIONAL ASSESSMENT PROJECT

Mr. THOMPSON. Thank you, Cecil. Thank you very much.

Good morning, Mr. Chairman, and members of the committee. My name is Myron Thompson. I am here for three reasons: to thank you for your support of native Hawaiians in the last Congress in the areas such as vocational education and library services; to report to you the results of the native Hawaiian educational assessment project; and to ask your support of higher education programs to address the needs identified in that project report.

Six years ago your committee asked the Department of Education to carry out the native Hawaiian educational assessment project. It was conducted and completed by our organization and presented to the then Secretary of Education, Bell, in March 1983.

Briefly, some of the more telling statistics related to higher education are as follows:

First. Native Hawaiian students constitute 19 to 20 percent of the State's population but comprise only 7 to 8 percent of the enrollment in the total University of Hawaii system, which includes community colleges.

Second. Native Hawaiians comprise 4.6 percent of the enrollment at the 4-year baccalaureate-granting campus of the University of Hawaii.

Third. Native Hawaiians encounter multiple barriers in attaining a higher education such as the average family income of native Hawaiian families is $4,463 less than the average of the State; some 37 percent of all Hawaiian families have five or more persons in their families, while only 24 percent of all families statewide have five or more persons; Hawaiian students who apply for scholarship assistance face stiff competition from other ethnic groups in Hawaii whose performance far exceeds national norms.

Fourth. Native Hawaiian adults are disproportionately employed in lower income positions.

Fifth. Native Hawaiians account for 40 to 45 percent of those in correctional institutions in the State of Hawaii. And

Sixth. Too many Hawaiians perceive themselves as being inferior.

The final report describes how two centuries of culture loss for native Hawaiians have caused stress which, in turn, has led to the negative personal health statistics and poor educational outcomes.

Mr. Chairman, these are some of the severe problems affecting the Hawaiian people, but we feel they are positively changeable. A broad attack on this problem, combining Federal, State, and private initiatives at the secondary, as well as the postsecondary levels, is considered essential.

I believe that the measures proposed in your committee's draft will assist Hawaiians achieve parity in higher education.

First, we set the high priority on teacher training programs for those who will be specializing in the teaching of native Hawaiians.

A second priority is financial aid to students in attendance at institutions of higher education and special programs for students from disadvantaged backgrounds.

A third priority is work-study programs and community service programs.

A final priority is fellowships for graduate and professional programs.

The Kamehameha Schools/Bishop Estate stands ready to join forces and funds in the implementation of these kinds of programs.

Mr. Chairman, I would like to point out that my organization operates a financial assistance program for native Hawaiians distributing memorial scholarships, our own financial aid program funds, and funds from other Hawaiian organizations which are serving young Hawaiians which have been placed under the trust of our administration. This service could also be extended to Federal financial aid for native Hawaiians if deemed appropriate.

As you can see, we are attempting a wide range attack on the needs described in the assessment project report. We feel this is necessary to succeed in reaching parity with the Nation and with our local population.

To summarize, then, Mr. Chairman and members of the committee, we sincerely ask your assistance in helping to make reality these higher education programs.

Chairman Ford, I thank you for this opportunity.

Mr. **Ford**. Thank you very much.

I assume that you are talking to the Senate side while you are in town.

Mr. **Thompson**. Yes, I have been.

Mr. **Ford**. And that we can hope that their counterpart committee will be better prepared than they were the last time.

Mr. **Thompson**. They are considering it.

Mr. **Ford**. The effort was put in on this side and the Members of the House were pretty thoroughly persuaded, but it sort of hit the Senators cold. And it is very hard to get Senators to accept any new idea, but particularly if they haven't had enough time to consider it. I hope that you will make a special effort to acquaint them with what it is that you would like to have done.

Mr. **Thompson**. Mr. Chairman, I have been involved in talking with the staff and in acquainting the Senate committee members regarding our report and my discussion with you this morning.

Mr. **Ford**. Well, I will be very happy to continue to hear from you as we get closer to when we are going to write a bill about any specifics you have in mind, what you would like specifically included in the law.

Mr. **Thompson**. Thank you, sir, and we will be available to assist.

Mr. **Ford**. Staff tells me that you have submitted some specific recommendations.

Mr. **Thompson**. That is correct, Mr. Chairman.

Mr. **Ford**. We will have to get into those and look at them.

Mr. **Thompson**. Thank you.

Mr. **Ford**. Mr. Penny?

Mr. **Penny**. I have no questions.

Mr. **Ford**. Thank you very much. I am sorry that we had to keep you so long today.

Mr. **Thompson**. That is fine. Thank you, sir.

Mr. **Heftel**. Thank you very much, Mr. Chairman.

[Additional material submitted for the record follows:]

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC, July 17, 1985.

Hon. WILLIAM D. FORD,
Chairman, Subcommittee on Postsecondary Education, Committee on Education and Labor, Washington, DC.

DEAR BILL: I want to thank you for inviting me to testify before the Subcommittee on my legislation, H.R. 1611 and to apologize for not being able to present my statement in person. The full Energy and Commerce Committee is considering Superfund legislation, in which I have been very much involved, so I was unable to testify before you today.

I would appreciate it if you could include my testimony, which I have enclosed, as part of the formal hearing record. I also welcome any comments or questions you may have on the legislation.

I thank you for all the support and assistance you have given me on this legislation. I hope that we will be successful in including it in the Committee's version of the Higher Education Act.

Thank you again for your consideration of this matter.

Sincerely,

DENNIS E. ECKART,
Member of Congress.

PREPARED STATEMENT OF DENNIS E. ECKART, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. Chairman, members of the subcommittee, I would like to thank you for allowing me the opportunity to submit testimony on behalf of H.R. 1611, legislation I introduced with Representative Claudine Schneider that addresses the unique educational needs of the dislocated worker. But first, I would like to commend you and your staff for holding these comprehensive hearings on the Higher Education Act. I have no doubts the record developed by the subcommittee will be instrumental in assisting the Congress to best meet the needs of students wishing to attend institutions of higher education.

I would like to concentrate my testimony on how the Higher Education Act can help the dislocated worker obtain the education and training needed to succeed in today's highly competitive, and changing job market. As the Chairman and many members of the Subcommittee are aware, one of the greatest scars left by the recessions of the late 70s and early 80s, is the thousands of dislocated workers who are still, despite the much heralded recovery, without jobs.

These workers are dislocated because the jobs for which they were trained, and in many cases, held for many years, have been eliminated. They lost their jobs because their plants closed, or their positions were eliminated as automation within the plants increased, or their plants have relocated in areas too remote for the workers to follow. These dislocated workers are unable to aquire comparable jobs with their existing skills which they obtained when they first entered the labor force. Instead, more and more of them are finding it necessary to return to school for new or additional skills. Many experts agree that through the end of the century, virtually all workers will have to undergo some retraining if they are to keep pace with the demands of the economy.

According to a 1984 study, the Bureau of Labor Statistics reported that five million workers were permanently displaced between 1979 and 1984. Of that number, one forth are still unemployed. Yet in spite of the growing need of these workers for readly accessible training and retraining opportunities, many lack the adequate financial means to correct this serious barrier to reemployment.

My legislation would assist these workers in obtaining education and training by revising the current eligibility requirements for the Pell Grant and Guaranteed Student Loan programs. Under H.R. 1611, workers certified as dislocated—using the definition in the Job Training Partnership Act—would be able to disregard home equity and unemployment insurance benefits when applying for Pell Grants and would be able to use their current income, instead of previous yearly income (to better reflect the dislocated worker's current financial status), when applying for the Guaranteed Student Loan Program.

Many witnesses before this subcommittee have testified that the mix of students attending postsecondary institutions is changing. The "traditional" student—those between the ages of 18 and 25 who attend college directly out of high school—is rapidly being replaced by the older student. This growing corps of non-traditional students, who in many cases are mothers returning to the workforce, older, independent students, single parents and workers needing retraining, is expected to expand from 38 percent today to more than half of the total student body by 1990. Already the average student at community, junior and technical colleges is in his or her mid-30s.

Yet, in spite of this dramatic increase in non-traditional students, financial assistance programs still seem to operate under the notion that with very few exceptions, the average student is still 18 to 25 years of age. While 38 percent of the postsecondary students today are over the age of 25, the National Association of State Scholarships and Grant Programs, expect only 16 percent of grant recipients in the 1985-1986 academic year to be over 25.

This discrepancy has to be addressed and I believe my legislation, which I have developed with the Northeast-Midwest Coalition, helps meet the needs of the dislocated worker. It does so for a number of important reasons. First, it allows the worker to devise a retraining program that best meets his or her needs at the institution of his or her choice. These workers are best able to gauge their abilities and to identify the type of skills they need to meet the demands of today's job market. Second, this bill creates no new programs. Instead, it expands on the Pell and GSL which have already proven effective for scores of students needing continuing education. Third, it increases federal assistance to the dislocated worker, which is critical given the lack of federal and state programs to help this large section of the workforce. Title III of the JTPA has helped only a small number of this nation's dislocated workers and the training component of JPTA, only a few thousand more. In fact, a recent survey of 10 states, conducted by the Education Commission of States, found that "inadequate financial aid for adult students was recognized by many respondents as the major impediment to fully serving the adult learner."

H.R. 1611 will succeed in providing access to the funds, that the older, dislocated worker requires for education and retraining. We cannot afford to continue denying these people, a growing section of the potential student population, the skills they need to be reemployed and to once again contribute to our society. I hope that you and members of the Subcommittee will seriously consider incorporating this provision as part of the Higher Education Act. Thank you again for allowing me to submit this testimony to you. Please let me know if you have any questions.

[Whereupon, at 12:10 p.m., the subcommittee was adjourned, to reconvene subject to the call of the Chair.]

[Text of H.R. 1611 follows:]

99TH CONGRESS
1ST SESSION

H. R. 1611

To improve access to training opportunities for dislocated workers, to provide procurement targeting in labor surplus areas, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 20, 1985

Mr. ECKART of Ohio (for himself, Mrs. SCHNEIDER, Mr. FORD of Michigan, Mr. FEIGHAN, Mr. STOKES, Mr. SEIBERLING, Ms. KAPTUR, Ms. OAKAR, Mr. BOEHLERT, Mr. LEVIN of Michigan, Mrs. JOHNSON, Mr. DURBIN, Mr. RIDGE, Mr. KLECZKA, Mr. EDGAR, Mr. REGULA, Mr. MOODY, Mr. TRAXLER, Mr. DWYER of New Jersey, Mr. PEASE, Mr. MURPHY, Mr. WEISS, Mr. EVANS of Iowa, Mr. KOSTMAYER, Mr. BOLAND, Mr. FOGLIETTA, Mr. EVANS of Illinois, Mr. FAUNTROY, Mr. MARTINEZ, Mr. RAHALL, and Mr. MITCHELL) introduced the following bill; which was referred jointly to the Committees on Education and Labor and Government Operations

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A BILL

To improve access to training opportunities for dislocated workers, to provide procurement targeting in labor surplus areas, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Dislocated Workers Act of 1985".

DEFINITIONS

SEC. 2. As used in this Act—

(1) the term "Federal agency" means any agency defined in section 551(1) of title 5, United States Code;

(2) the term "Federal financial assistance" means any program or activity under which a Federal agency extends assistance by way of grant, loan, or contract other than a contract of insurance or guarantee;

(3) the term "Secretary" means the Secretary of Labor; and

(4) the term "State" means each of the several States and the District of Columbia.

TITLE I—EMPLOYMENT IMPACT OF FEDERAL PROGRAMS

EMPLOYMENT IMPACT REQUIRED

SEC. 101. The Secretary of Labor shall establish and maintain the capacity to estimate the employment and unemployment impact of Federal programs, and the termination of Federal programs, including programs of financial assistance. The impact reports shall be established and maintained on an individual program-by-program basis, with separate estimates in a State and sub-State level. Such estimates shall include both the direct and indirect employment effects of Federal expenditures.

TITLE II—DISLOCATED WORKERS

SPECIAL PROVISIONS FOR DISLOCATED WORKERS WITH RESPECT TO PELL GRANTS

SEC. 201. (a) Section 411(a)(2)(A) of the Higher Education Act of 1965 is amended by inserting after division (ii) the following new division:

"(iii) In any case in which a student is a dislocated worker certified in accordance with title III of the Job Training Partnership Act, the Secretary shall, in the proposed family contribution schedule, disregard—

"(I) all equity in a single principal place of residence from the computation of assets, notwithstanding any other provision of law or any regulation prescribed pursuant to such law; and

"(II) the amount of unemployment benefits paid to such student from the computation of effective income of the student.".

(b) There are authorized to be appropriated such sums as may be necessary to pay the additional entitlements to dislocated workers resulting from the amendments made by subsection (a). No such entitlements shall be paid unless funds for such entitlements are provided for in an appropriation Act.

GUARANTEED STUDENT LOANS

SEC. 202. Section 428(a)(2)(C) of the Higher Education Act of 1965 is amended—

(1) by striking out "and" at the end of clause (ii);

(2) by striking out the period at the end of clause (iii) and inserting in lieu thereof a semicolon and "and"; and

(3) by adding at the end thereof the following new clause:

"(iv) in the case of a dislocated worker identified under title III of the Job Training Partnership Act, determinations of need shall be based on current income.".

TRAINING OPPORTUNITIES

SEC. 203. (a) The private industry council in each service delivery area established under the Job Training Partnership Act is authorized to provide information concerning training opportunities in the service delivery area, as well as the opportunities provided under the amendments made by this Act. The information shall be available to all individuals seeking training and retraining. Acceptance of such training or retraining, and enrollment in a postsecondary institution with assistance made available pursuant to the amendments made by this title, shall be deemed to be acceptance of training with the approval of the State within the meaning of any other provision of Federal law relating to unemployment benefits.

(b) Funds used to carry out this section shall not be included in determining compliance with the provisions of section 108 of the Job Training Partnership Act.

TITLE III—PROCUREMENT TARGETING IN LABOR SURPLUS AREAS

TARGETING FOR PROCUREMENT OF SUPPLIES AND EQUIPMENT IN LABOR SURPLUS AREAS

SEC. 301. The head of each Federal agency which procures supplies and equipment at a rate in excess of $1,000,000,000 in the fiscal year 1982 shall set targets, in each fiscal year, for the procurement of such supplies and equipment within labor surplus areas, as defined by the Secretary of Labor. In setting such targets the head of each Federal agency shall consider the serious impact on the economy in the United States of such concentrations of unemployment and the benefits to the Nation of reducing the concentrations of unemployment.

REPORT REQUIRED

SEC. 302. Within six months after the end of each fiscal year, the Director of the Office of Management and Budget shall report to the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives on—

(1) the number, amount, and percentage of contracts awarded by each Federal agency in labor surplus areas;

(2) the impact of such contracts on the unemployment rate in such areas; and

(3) whether such labor surplus area contracts could be increased without adverse impact on Federal procurement.

REAUTHORIZATION OF THE HIGHER EDUCATION ACT

Title IV General Provisions/Needs Analysis

Volume 4

THURSDAY, AUGUST 1, 1985

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
Washington, DC.

The subcommittee met, pursuant to call, at 9:50 a.m., in Room 2261, Rayburn House Office Building, Hon. William D. Ford (chairman of the subcommittee) presiding.

Members present: Representatives Ford, Biaggi, Bruce, Penny, Coleman, Gunderson, Goodling, Petri, Jeffords.

Staff present: Thomas R. Wolanin, staff director; Kristin Gilbert, clerk; Maryln McAdam, legislative associate; Rose DiNapoli, minority legislative associate; Rich DiEugenio, senior minority legislative associate.

Mr. Ford. I am pleased to call to order this hearing of the Subcommittee on Postsecondary Education, as we continue our hearings on the reauthorization of the programs contained in the Higher Education Act.

This is the 13th hearing here in Washington on specific facets of the Higher Education Act, and we have thus far had 10 field hearings in various parts of the country. The hearings record now consists of in excess of 80 hours of formal testimony and we expect that we will be concluding the hearings sometime in September.

Today's hearing was initially scheduled for Tuesday of last week. We had to reschedule it for today because of the full committee markup by the Education and Labor Committee. And I must apologize on behalf of the committee to the witnesses who were asked to return again today. When the parent committee is marking up a bill and it is a bill introduced by the chairman of this committee, my choice was very clear; I had to be there.

Today we will particularly focus on the definition of an independent student and eligibility for student aid of students without a high school diploma or GED if the institution they are attending determines that they have the ability to benefit from the education or training. We will also look at other aspects of need analysis and the delivery of student aid.

Our first panel consists of an old friend and the first person to administer this act as a matter of fact, as Commissioner of Education, Frank Keppel, speaking today for the National Student Aid Coalition. He is accompanied by Dallas Martin, Executive Director of the National Association of Student Financial Aid Administrators.

You are going to tell Frank what to say when we ask him questions?

Mr. **Martin**. Yes, in fact.

Mr. **Ford**. Go ahead, Frank.

Without objection, your prepared testimony will be inserted in full in the record. Just a minute.

Do you want to make any comment before we start?

Mr. **Jeffords**. Yes. I would just as soon do it now.

Mr. **Ford**. Sure.

Mr. **Jeffords**. All right.

First of all, I want to commend the chairman for the tremendous time that he has spent in these hearings and addressing into some very critical problems.

One of the problems we will be focusing on today is the question of the independent student. In the 1960's it became apparent that we needed to do something about those young people who had been alienated from their households such that they did not receive the kind of support that would be expected from a family sponsoring them in college. We have set up some definitions to qualify; that is, if you didn't live within the home for the 6-week period, you didn't get more than $750 in support and you were not claimed on the tax return as a dependent and thus get the benefits in regard to your tax rebate in that regard.

In the 1970's, however, we changed the age of majority in all the States from 21 to 18, which casts a little question on some of the normal expectations of parents. As a result of that, and perhaps for other reasons, we have seen more and more students alienated from their families in taking advantage of the independent student category.

This is creating a drain on available resources. It is leading to a moral abuse of the program. Lawyers and tax accountants understand this problem and are advising people how to take advantage of the program. One can get around the $750 support aspect by a gift; that is, one can give a gift up to $10,000 to someone and it is not considered support. You cannot take the student as a deduction on your tax return, so you lose a maximum of $500 in taxes but you gain the possibility of up to $2,000 in the Pell grant and GSL's. And it becomes obvious that our incentives are working against us instead of working for us.

This year, for instance, about half of the students who will be applying for financial aid will be in the independent student category, and a large number will be the older students. The number of the younger, between 18 and 22 group, has nearly doubled recently. In my own observations, at least in my community, those that I find that fit under the independent student category are far from alienated from their homes; and I would hope that we have not alienated half of the kids in this country and thrown them out into the cold of the real world. But it does appear that way from the statistics.

What do we need to do? I think it is important first of all that we look at repairing the present program and tighten up on present rules. We should also examine for the future what the expectations are of parents, students and the Government and how we are going to educate our students, especially for the next generation. If we continue on the present route and if legal cases determine that there is no legal obligation to support, we could have a situation where the Government might have to pick up the whole tab for higher education.

What are some of the things we should address? First of all, I think we have to talk about tightening up existing rules. We also need to look at how we can do that; whether or not we have to establish a legal obligation on parents to a certain age to support their children. We have to take a look at the question, for instance, whether age discrimination would come into establishing such an arbitrary age. We also need to address some positive incentives, which I will be looking into with respect to tax reform; that is, saying to parents: Yes, you do have a legal obligation to support and to educate your children up to a certain age, and we will allow *you to prepare for that obligation by giving you incentive to save* for that purpose. The administration has introduced in the past a modest proposal. I am not as modest as the administration in that regard, and I intend to offer one of more substantial proportions in order to make it clear that there is intent of the parents—at least up to a certain age.

I think we have a very serious problem here. Estimates are that it may be costing us anywhere from a half billion dollars on up in resources by people avoiding what was the intent of the independent student category in the beginning.

So, thank you, Mr. Chairman, for looking into this today. Because as our resources become scarcer and scarcer due to our budget circumstances, it is increasingly important that those resources go to the people that really need them.

Thank you.

Mr. **Ford**. Thank you.

Mr. Keppel.

STATEMENT OF FRANCIS KEPPEL, CHAIRMAN, NATIONAL STUDENT AID COALITION

Mr. **Keppel**. Thank you, Mr. Chairman. When I heard that this was the 23d hearing, I was admiring of your committee, sir, and I will reduce the length of my written testimony considerably out of sheer sympathy, if I may.

The Student Aid Coalition, for which I am representing today, is concerned primarily with the issues effecting a partnership, which I think there is a table that shows the nature of the partnership on student financial aid, State, private, and so forth, and also the coordination of the systems, which you referred to already, Mr. Chairman, in the beginning of the meeting.

We have submitted to you and to Mr. Coleman the specific recommendations, which you will find on those rather substantial documents that you already have before you, and I certainly needn't go over those again. I should point out one thing, Mr. Chairman.

That the material that the coalition submitted to you was developed by a task force of the coalition and does not necessarily represent a consensus of our member organizations. In this particular case, while there was unanimity among the majority of those represented in the task force, not all the recommendations were embraced by the full coalition. None, however, were wholly disowned, if I may put it this way, which considering the fact that it is a coalition is quite remarkable. I am rather proud of that.

May I speak to five things? And if Mr. Jeffords will forgive me, I will come back to the points that he raised about number three or number four. But I will do my best, sir.

The first that I would like to speak to has to do with a master calendar, and this is really part of trying to make a complicated pattern work on time. It is very nuts and bolts, Mr. Chairman, and I kind of apologize for it. And I know these recommendations have come to you before. That is, a specific recommendation about specific times being established for rather specific purposes.

The present system looks like an obstacle course. I have distributed around this unbelievable thing which shows—you have to hold it out sideways, Mr. Chairman, to get the full treatment. When you start on the left and go to the right, it takes a year and half, and Lord only knows how many people are involved. And it really does look like an obstacle course, and if any one of the major points on that chart slips in time, the whole thing gets slipped further. And as the Chair will recall, we have had some problems about this in the last several years where things have slipped. The primary effect of that, obstacle course, is on the students and their families getting the information they need in order to make their decisions. That is the reason for this chart, and the Chair will understand why we have it up here, and also in answer to your first question, Mr. Chairman, when I say that in my office this is referred to as Linda's engagement calendar.

Now what we have are specific recommendations. They echo recommendations made by the commission on which you served, Mr. Chairman, on these matters. They are not exactly the same, but the same general idea.

And now I am on the streak of my testimony. We urge that these specific deadlines cover development and distribution of student aid application forms, notification to institutions of campus-based program eligibility and funding allocations, and publication of the family contribution schedule and payment schedules for Pell grants or whatever things you change in the course of it.

I hasten to say, Mr. Chairman, that we are not, of course, suggesting that the Congress will not or should not change its policies about who will be eligible for student aid or how much. We are suggesting that such decisions, rules and regulations, and so forth, be made in a timely manner, so that the students and their families can count on getting this data. That is a major concern.

Turning now to the second recommendation, which is on student aid information, I think there is evidence, Mr. Chairman, solid evidence, that participation by minorities and the disadvantaged—that was a complicated word we used 20 years ago for poor as I remember; I think that is what we used—that those rose. The chances of going to postsecondary education rose between 1965 and

1975 as a percentage of the age cohort. That is what you want, the age cohort of particular groups and how many are going on. Rose until 1975 but has fallen off since then. I think that evidence is solid, and I am sorry to say it is worse in the last 2 years.

I used to be in charge of collecting statistics for the Government, and I realize that we were not that efficient, and nor are we now I suppose, in getting timely data, really timely data. But that is the way it looks. It is a downslide, and I think that is the central point we are making about student aid information.

And we have some quite specific suggestions which have to do with getting the information out in a timely way. And there is one subpoint to that, if I may urge on the Chair and the committee. The decisions that those students make and their families make are really beginning to be made long before the 12th grade. It is a whole series of decisions, as Mr. Jeffords was pointing out, really in a way that go back to the eighth, ninth grade. Not only for family financing, but for the decision to go to postsecondary at all. And if we are dealing with the disadvantaged and the minorities—and I am sorry for that clumsy language—if we are dealing with that, we have got to go back to the eighth and ninth grade. And in our judgment, the information about financial aid does not get that there at a time when the student can decide what program to take, and that program is what leads on, you know, 9th, 10th grade, 11th, and so forth.

Now, at the present time, according to the data I have, on this purpose, the executive branch, the Department of Education, is spending under half a million dollars this current fiscal year on information-related activities, which as I understand it is one-tenth of 1 percent of total allocations for student financial aid. By the way, a significant portion I am told is allocated to the production and distribution of posters, and I am about to show you two of them. The first one was what, about 1980 or something? Which is a poster intended to get the word around, and I presume for high schools and the like.

By the way, it might interest you, possibly amuse you, if I ask Linda to show the second one, which was—Mary, how about you holding it up for the eager audience? The second one is last year or the year before, which I think doesn't give the same tone, if I may say so, as to what the purpose of this enterprise is.

But you know what the concern is—the problem is: Are those posters getting into the places where they need to, in the junior high schools? Frankly, I don't know. And if the second one is getting there, I don't think it is going to create enthusiasm in the group that we are looking for.

So we have some specific suggestions, Mr. Chairman, which are on page 6 of my testimony, suggesting that the amount of a half million dollars in the Secretary's budget go up to at least $5 million, which in the world I live in is a lot of money, but over there I think it is simply a—it is a clearing of the throat for the computer. Then there are some very specific suggestions of where we think the Secretary might do it. Having been in the executive branch, Mr. Chairman, I am almost embarrassed to put in these details because of clearness. If you are going to do it, you can do it. But those are at least suggestions.

Now, Mr. Jeffords, if I may return to the independent student issue. We are making a suggestion for the independent student which I think meets only part of what you were saying. We have got a suggestion in this text which I think comes under the heading of tightening up. And you will see on chart—excuse me—table 5 the latest data we could get, and since the office consists of—page 31, I am sorry. Page 31, Rick. I don't know, she is reading off the wrong thing. Table 5, anyway.

It is an effort first to analyze what the data is. And what is obviously happening, and I guess for a variety of reasons, Mr. Jeffords, and I am not sure I understand them, probably the whole structure—and I indicated before it is a complicated structure of State and private, public and private and other institutions—is tightening up some already on trying to avoid—I am going to use old-fashioned words—the cheaters. Sorry, but that is sort of an old-fashioned way of saying it. And what we are proposing is that we go to 22 and under, which you will notice on that table hits a pretty high percentage. And then they have got to go through it after—it is 22 and over, isn't it? Twenty-two and over. Then they would become independent students. Now obviously there are problems in there.

And I think you have put your finger on it, Mr. Jeffords. I am departing from my testimony, Mr. Chairman, and I apologize. But I think you have put your finger on it. The United States, as I hear what you are saying and if I may put it in my own words, has decided, unlike any other nation in the world, that parents are responsible at least for the substantial part of the undergraduate education of their children. I happen to think it is the right thing to do. But then when you cut across some line, where do they get off the line? Where is the nice clean line? We are suggesting that the clean line be that age.

We have, obviously, some exceptions that you will notice we put in here on page—somewhere—page 8, I think, which I think are the ones that you would expect us to put in. At any rate, we suggest you might think about this as part of the tightening up, which is certainly one of the points you made. I, obviously, am not competent to speak about a tax issue as it might help, and, by the way, on both sides of that issue. Only I do ask, in view of my age, do be careful about putting the bite on grandparents, will you, because I have got them in college now. That is the suggestion we got there. And the Chair was good enough to ask us to make one, that is what we got.

On need analysis, which I understand is not a peaceful topic these days, I have got an introduction carefully explaining how the coalition got to where it was by being kicked on various sides and where we now are. We do have a suggestion, and we are trying to explain why we understand the Congress wants to get a need analysis system that is consistent and manageable. And we do have a suggestion which is to be found on pages 9 and 10. May I make a general comment on that, Mr. Chairman? And I suppose I am possibly belatedly going back to my past in the executive branch.

I hope the Congress will really return to some features that you put in in 1980. Really establishing a set of standards rather than attempting too detailed a prescription, and then requiring the Secretary of Education to consult with the various partners, particularly States, private sources, and the like, to get into this. And we are fairly specific on that.

In fact, Mr. Chairman, now I am coming to the end. We are suggesting something about which I think anybody who has been in Washington, certainly I should think you, Mr. Chairman, would have some serious doubts—another one of these damned advisory committees. I have served on several of them. Not private, I mean public ones—libraries and other things—and I think I have some sense of the frustration that exists on those things. We are facing a problem as I see it in which the Congress not only has—as your whole record shows, you have been seeking information on these topics for a long time. And one of the problems, as I understand it, is the dependability of the information, and second, the dependability of the analysis. And I have been trying— my colleagues and I have been trying—to give as detached information as we can, but we are a little outfit; and furthermore, to a degree, we represent those with interest. Can't help it. That is the nature of my job.

So what we have suggested here is really an adaptation. And other members of your committee, as well as yourself, Mr. Chairman, will know an awful lot more about this than I do, because we are taking a model—well, not taking a model, we are suggesting that you study a model taken on the health side, on the health care side, where a number of comparable factors were involved I think: Rising costs, problems of the analysis of data, problems of technology and its impact on costs and performance, and a lot of other things. And there is a thing to which specific reference is made in my testimony on pages 11 and 12, something referred to as ProPAC, which is being used in the medical care system.

I am not, of course, suggesting, Mr. Chairman, that that be a precise analogy. I mean, that would be silly. But I do think there are two things about it that might interest you. But advisory, I don't care what you call it obviously. Above all, it should not, in my judgment—and this is going to be a very frank statement—it should not be within a Government agency. Should not be. It should be reporting to the Congress, and should be so established that the Congress has confidence in its membership.

The way this ProPAC thing was done was by having—am I right?—the Director of the Office of Technical Assistance [OTA] do the appointing. That is the group that—the membership appointing. These would be part-time people I presume with a staff. I don't think it is very expensive.

The problem is to get to the Congress an information and analysis not only of the things that are now—if I may say so, Mr. Chairman—now in the student aid delivery problems, but also what may be coming. And some of those I think are highly technical issues. A lot of them are financing issues, and some of them are pricing issues. It is for that reason I think that you may want to have the data collection—not collection, excuse me—analysis, the data analysis—done in the manner that you would have confidence in.

I am not at all sure, Mr. Chairman, this is the right way of doing it. Maybe there is a better way of doing it. I am just trying to respond to the problem that I have thought I have sensed in the last 3 or 4 years as best I can with the profound sympathy—with the view that we have got enough advisory committees around this town and what do we need another one for. So I don't care what it is. I would just as soon call it an analysis committee or data analysis or something like that, but for the use of the Congress.

Mr. Chairman, you have been very patient with me and I have gone way over my time. Sorry.

Mr. **Ford**. Thank you.

[The prepared statement of Francis Keppel follows:]

PREPARED STATEMENT OF FRANCIS KEPPEL, CHAIRMAN, NATIONAL STUDENT AID COALITION, WASHINGTON, DC

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to comment on several aspects of the reauthorization of Title IV of the Higher Education Act of 1965, as amended. I am accompanied by Linda Berkshire, Staff Director of the National Student Aid Coalition.

I was invited to testify today in my capacity as Chairman of the National Student Aid Coalition. The Coalition consists of thirty-seven (37) national organizations and associations with a common interest in student financial aid programs and policies, and five (5) public members. Since its formal establishment in 1981, the Coalition has served as a voluntary mechanism for a variety of interest groups to identify issues, focus their perspectives and concerns, and to assist in coordinating the development of national student aid policies among federal and state agencies and institutions of higher education.

We are concerned primarily with issues affecting the "partnership" involved in the funding and delivery of student financial aid. These issues include the coordination of the systems by which financial aid is delivered to states, institutions, and individual students; the principles by which that aid is administered in such areas as timing, forms, definitions, and public information programs; and the development of standards by which financial need will be measured.

I have included as an attachment a statement of the National Student Aid Coalition's history, purpose, functions, and member organizations.

On April 30 of this year the Coalition submitted to you, Mr. Chairman, and to Mr. Coleman the recommendations of our Task Force on Reauthorization for Title IV of the Higher Education Act. We indicated at the time we submitted this document to you that the proposals were developed by a task force of the Coalition and do not necessarily represent a consensus of our member organizations. This caveat bears repeating and deserves explanation.

As is often the case with such coalitions, we work toward the development of positions that can be commonly advanced and supported. In this case, while there was unanimity among the majority of those represented on the Task Force, not all the recommendations were embraced by the full Coalition. None, however, were wholly disowned, which, for a coalition, is not bad.

My formal remarks today focus on five (5) of the Coalition's suggestions. These recommendations reflect a basic concern that more can be done to achieve the purpose of the federal student aid programs--the goal of equal opportunity for all students. To the extent that this objective has not yet been met, we suggest how the student aid programs and delivery system might be improved in order to move further toward equal opportunity.

We believe that for the national program of student aid to work effectively, each of the participants must hold up their end of the bargain. The national program of student financial assistance is characterized by multiple providers and delivery systems. Contributions from students and their families join with funds from the federal government, states, postsecondary institutions and business and industry to provide financial assistance to needy students. The provision of medical care for some of our population might be comparably characterized, though the cost to the federal government is, of course, far greater than the cost of student aid.

We know from recent experience that each of the partners depends on the others for timely action and response in order for this massive system to function reasonably. We also know that when decisions are delayed or arrived at in isolation, the effects compound and the results are chaotic for students and parents in need of information.

Several of our recommendations reflect our concern that the importance of this funding partnership not be underestimated in the development of federal student aid policy.

With this background, let me turn now to our proposals.

I Master Calendar

The system by which financial assistance from varied sources reaches eligible students is a complicated and cooperative effort. While the federal government is by far the largest single provider of direct student aid, it does not and cannot operate alone in this arena. Since the federal government predominates as a funding partner, and since federal student aid forms the foundation for other sources of financial assistance, decisions at the federal level which initiate the delivery cycle each year directly affect the operations and policies of all others involved in the process.

The student aid programs have been a source of tension and struggle between the Congress and the executive branch. In recent years, the operation of the programs has been characterized by delays and last-minute decisions affecting program rules and eligibility. This pattern of instability has reduced significantly the effectiveness of the aid programs in achieving their stated goals.

Mr. Chairman, to help ensure an orderly process in providing financial aid to eligible students, our recommendations would establish in statute a "Master Calendar" that sets forth a schedule for the completion of major decisions and tasks in the annual student aid delivery cycle. This "Master Calendar" includes specific deadlines for the:

- development and distribution of student aid application forms
- notification to institutions of campus-based program eligibility and funding allocations
- publication of the Family Contribution Schedule And Payment Schedule for Pell Grants

To help ensure adherence to the timetable, failure to meet the deadlines prescribed in the calendar would result in automatic adoption of the prior year's procedures.

The Master Calendar would thus place pressure for timely decisions on both the executive branch and the Congress. The administration, to the extent it seeks to make changes in existing procedures, would be forced to allow for an orderly consideration of the potential impact of such changes by the Congress and student aid providers and consumers. Congress would introduce last minute changes to the system only if it explicitly chose to ignore the calendar requirements it had previously enacted.

We are, of course, not suggesting that Congress will not or should not change its policies about who should be eligible for federal student aid or for how much. We are suggesting that such decisions, and the rules and regulations carrying out those decisions, be made in a reasonable and timely manner so that students and families can receive and count on the information they need to make their decisions about going to college.

We believe that the provision of such a schedule in legislation is necessary and appropriate if we are to maintain reasonable stability and predictability in the administration and delivery of these program funds.

The National Commission on Student Financial Assistance recommended this master calendar in its report to the Congress on student aid delivery. As the report concluded:

> "The National Commission on Student Financial Assistance believes that the agencies within the federal government that are charged with the administration of the student financial aid programs must take responsibility for maintaining order and stability within the programs and among the program participants. Toward this end, the Commission is convinced that a schedule for the completion of major tasks in the delivery process will add the necessary order to allow for the proper administration of the programs, avoid unnecessary cost to the participants, and reduce confusion among the partners in aid delivery."

II Student Aid Information

Mr. Chairman, we are troubled by data we have seen (much of which has been made available to the Committee) that suggest strongly that the goal of equal access to educational opportunity has not been achieved.

There is now evidence that participation by minorities and the disadvantaged in postsecondary education rose between 1965 and 1975, but has fallen off since then. You recently heard testimony from Dr. Arnold Mitchem of the National Council of Education Opportunity Associations in which he cited data from a recent report entitled Student Aid and Minority Enrollment in Higher Education.[1] As Dr. Mitchem indicated:

> "Declines in enrollment of minority and low-income students have reached such proportions that they have attracted notice in the media, including the Washington Post and the Wall Street Journal.....enrollment of college-eligible 18-24 year olds from families with incomes below $10,000 is down 17% since 1978; enrollment of Black students is down 11%. Enrollment of Hispanic students has also declined, although less dramatically."

Less than adequate funding for student aid programs presumably is one reason for the slowdown in progress toward equal opportunity. Although funding for student aid increased dramatically over the past two decades--at least until the past several years--it has not been sufficient to close fully the financial gap that exists among different socioeconomic groups in their ability to afford a college education. Moreover, recent efforts to spread aid dollars among a broader group of students appear to have diluted the effect of that these programs can have on the lowest income groups.

But more than funding is involved in explaining why the representation of disadvantaged and minority students in postsecondary education has actually declined in recent years.

Another key reason is that the intended beneficiaries of the student aid programs are frequently not aware of their eligibility.

The Coalition recently issued a report entitled Closing the Information Gap: Ways to Improve Student Awareness of Financial Aid Opportunities. The major concern identified in this report is that information on student aid often does not reach the individuals who most need the aid--disadvantaged, minority, and non-traditional students.

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[1] John Lee et. al., Student Aid and Minority Enrollment in Higher Education, American Association of State Colleges and Universities, Washington, D.C., 1985

Accurate, complete, and up-to-date information on student aid opportunities is not easy to come by in the inner cities and other communities where there are high concentrations of minority and disadvantaged students. Aggravating the problem, the information that is made available is not provided in the early high school years when students must decide whether or not to take college preparatory courses. For vast numbers of these students, it is often the case of "too little, too late."

For older students seeking further education or those beginning postsecondary education after years of employment or raising a family, the problem is somewhat different. They have difficulty finding out about existing opportunities for financial aid primarily because they are not in the high schools where information is most available.

Several of the suggestions found in the report are directed at colleges and universities, secondary schools, states, and the private sector. We believe that they bear their share of responsibility for improving information efforts to reach those students that are not being well served by the current system.

But we also suggest that the federal government can and must do more if it is to pave the way for the opportunities it hopes to provide through student assistance. It seems obvious, but students must be aware of available opportunities in order to take advantage of them.

The current effort is less than encouraging. The Department of Education is spending under one-half million dollars in FY 1985 on information-related activities--this represents less than one-tenth of one percent (.006%) of FY85 Title IV student aid appropriations. Of that amount, a significant portion is allocated to the production and distribution of posters, such as these that I am about to show you. The poster on my left was produced in 1980; the one on the right was the last to be produced by the Department and was distributed nationally in 1983. You may notice a slightly different tone to the message being conveyed.

The 1980 "Study Money" poster is clearly designed to encourage students to apply for federal assistance. The poster entitled "How Not To Get Federal Student Aid" may not serve the same purpose.

Some of the Department's efforts are devoted to information for Spanish-speaking students; that, however, appears to be limited to a Spanish version of the federal application form. Most importantly, this effort stops short of the actual eligibility notification. Student eligibility reports in the Pell Grant program are always in English, regardless of whether or not the student completed a Spanish-version application.

Given the evidence, I believe there is strong argument for change. In an initial effort to address these concerns, we recommend the following initiatives:

- o Expanding on the authority provided in the 1980 amendments, the Secretary should be required to contract for the purpose of providing early information and other pre-eligibility services to assist prospective students and parents in gauging financial aid opportunities.
- o The Secretary should be required to prepare and publish annually a plan for producing and disseminating information on federal student aid programs.
- o $5 million should be allocated each year from the Department's operating budget to fund programs or projects identified in the plan, with an emphasis on disseminating information to:
    - o disadvantaged, minority, and handicapped individuals;
    - o junior high school students and parents;
    - o adults and non-traditional learners;
    - o geographically isolated or rural communities;
    - o individuals from other groups who may be under-represented in postsecondary education; and
    - o individuals who normally serve as counselors, teachers, or service providers to persons interested in obtaining postsecondary education.
- o The Secretary should be required to restore and publicize the national toll-free number for the provision of student aid information to the public-at-large.

III Independent Student

Mr. Chairman, when we appeared before this Committee in October of 1983, we were asked specifically to provide a recommendation on the definition of the self-supporting student for purposes of federal student aid eligibility and for any supporting data. We suggested a revised definition at that time. We now have a new recommendation, and we are also submitting updated data on the distribution of federal student aid among dependent and independent students for the Committee's information.

The most current information available from the Department of Education is appended to this testimony. Appendix A shows the distribution of dependent and independent students among eligible applicants in the Pell Grant program from 1976 through academic year 1983-84. The chart also breaks down the independent group by age.

While the eligible independent students now represent over 50 percent of the total pool of eligible applicants, please note that the increase is in the category of students over 30 years old. The number of eligible independent students 22 years old and under continues to decline.

Similar information is provided for the campus-based programs in Appendix B. There was a sizeable increase in 1982-83 in the percentage of independent undergraduate students receiving campus-based funds. However, it is not clear whether or not greater numbers of older students participating in these programs account for the shift since data on the ages of recipients is not available.

Data from Jacob Stampen's recent report on Student Aid and Public Higher Education is most illustrative. Comparing the age distribution of dependent and independent aid recipients in 1981-82 and 1983-84, the report shows a sharp drop in the number of independent recipients in the youngest age category--21 and under. Again, the increase is found in the percentage of independent students between the ages of 25 and 40. This information is attached as Appendix C.

While the numbers and percentages of independent students participating in the federal student aid programs have risen, it is clear from the available data that the pattern of participation has also changed--these are students who are beyond the age of what is referred to as the "traditional" college student.

There is, of course, continuing concern among student aid professionals and policy-makers that the current independent student definition lends itself to abuse by parents of means who find it relatively easy to transfer the responsibility for financing their children's education to the taxpayer. Indeed, the basic elements incorporated in the current three-part definition haven't changed much since 1959. And, perhaps of most importance, two of the three parts of the definition's "test" of independence are unverifiable.

For these reasons, we have proposed a new, statutory definition that would eliminate the terms "independent" and "dependent" and would establish new criteria for determining which students should be required to provide parental financial information when applying for federal aid.

Under the proposed definition, undergraduate students under 22 years of age on July 1 of a given award year would be required to provide parental financial data on the application form in order to determine the expected family contribution. Exceptions would be made for students who are:

- orphans or wards of the court;
- married;
- not married, but have legal dependents;
- veterans of the Armed Services; or
- enrolled in programs of graduate or professional study.

We believe that this definition reinforces the basic premise which holds that parents have a responsibility to contribute to the costs of their children's education to the extent that they are able. Further, the definition proposed does not require parental information from students who, most would agree, do not or should not have reason to expect any degree of parental support.

IV Need Analysis

Mr. Chairman, in our invitation to testify before the Committee today, you asked us specifically to present our views on need analysis. We submitted as part of our legislative recommendations language suggesting a new section 482 which would establish a new need analysis system for determining eligibility for federal student assistance. I will address that proposal in just a moment.

First, I want to describe briefly the Coalition's role in developing and helping to maintain the standards by which financial need is measured for the majority of student assistance programs.

Over ten years ago, there was convened a National Task Force on Student Aid Problems. The task force, which brought together a variety of expertise in the field of student aid, worked for some time in an effort to encourage improvements in the delivery of financial aid. Among its primary recommendations, the task force urged the two national need analysis service agencies -- the American College Testing program and the College Scholarship Service -- to work toward the establishment of a uniform standard of measuring family ability to pay for college costs.

As an outgrowth of the Task Force recommendations, a single standard of determining need was agreed to. This standard is known as the Uniform Methodology.

The Uniform Methodology is currently the primary system used for determining eligibility for the federal student aid programs, with the exception of Pell Grants. Moreover, the Department of

Education uses the Uniform Methodology as a benchmark for establishing which other need analysis systems may be used for distributing federal aid to undergraduate students. In addition, the Uniform Methodology is used for most assistance awarded through institutional sources, and forty states currently use the Methodology for the programs they fund and administer.

Each year the Methodology is examined and updated under the auspices of the Coalition and its Committee on Needs Assessment and Delivery (CONAD). This annual review process is governed by a calendar that allows for extensive debate and review by all parties involved in the student aid process. For these reasons, the Uniform Methodology is often referred to as the "consensus methodology."

A more detailed description of the Uniform Methodology has been prepared by the Coalition in response to a number of requests for a nontechnical description of the Methodology. We have made this paper available, Mr. Chairman, to each of the Subcommittee members.

I believe that the vast majority of those that been involved or associated with this process would say that it has worked rather well. Most would argue that the process has allowed the Methodology to remain sensitive to changing economic conditions while incorporating principles that serve the common objective of making aid available to those most in need.

We also recognize, of course, that the Congress has become increasingly interested in decisions leading to the determination of student eligibility under the Title IV programs. This was evidenced most explicitly in the 1980 amendments in which the Congress mandated the development of a single method of need analysis for determining student eligibility for federal student aid funds.

We understand that the Congress was not only concerned with consolidating and simplifying need analysis for the federal programs, but also with strengthening its oversight over program eligibility. Key to Congress' actions in 1980, as I understand it, was the authority to review the schedule of family contributions issued by the Secretary and to exercise, when appropriate, a resolution of disapproval. New concerns are now evident as a result of the Supreme Court's Chadha decision restricting Congress' use of the legislative veto.

In response to this situation, the task force has suggested a possible way to approach a single system of need analysis for Title IV funds (other than SSIG) which incorporates all elements and procedures into the Higher Education Act, limiting the Secretary's authority to annually adjust for inflation.

This recommendation represents an attempt to identify the factors that should be included in a federal need analysis system. The task force tried to develop a system that meets the concerns of the Congress while retaining features of the Uniform Methodology. It may be best viewed as a beginning point for further discussion.

I should add that there are those that remained concerned that a single, federally-prescribed need analysis system will lead to a proliferation of separate systems which would meet the needs of institutions and states that may not be addressed in the adoption of a federal standard. Some also argue that a statutory system, which would, by definition, require legislative amendment to modify, will quickly become unresponsive and outdated.

To address these concerns, the Congress may want to return to two features of the 1980 amendments:

1. a set of standards rather than a detailed prescription.

   The Congress set to statute the basic criteria which would be used in determining expected family contributions. The Congress did not legislate taxation rates or other specific values which would be assigned to the elements of the need analysis system.

2. requiring the Secretary to consult with other agencies and organizations involved in the student aid process when developing the family contribution schedule.

   In this connection, the Committee may wish to consider the suggestion to establish a national advisory committee.

V National Advisory Committee on Student Financial Assistance

As I emphasized in the introduction to my testimony today, the national program of student financial assistance is not only a program of the federal government. Although the federal government has become over time the dominant partner in the funding of student assistance, federal funds are complemented by billions of dollars in aid provided by states, colleges and universities, credit institutions, and multiple private and community sources. (see Appendix D)

The efficient and effective delivery of billions of dollars of student assistance to millions of students each year relies almost exclusively upon the cooperation and collaboration of the various providers and administrators. Without such a partnership, and without the involvement of the partners at the level of policy development, the system simply could not work.

A voluntary partnership of sorts has existed for years. There are times when it has worked quite well, especially in fostering communication among all the partners. At other times, it seems to have proved relatively ineffective, especially at breaking impasses that have threatened disruption in the process of delivering aid to students.

Further, this Committee is considering as part of the reauthorization of Title IV major changes to need analysis standards, criteria for program eligibility, definitions affecting student eligibility, the provision of information, the development of application forms, and the Secretary's contract authority to process applications and eligibility reports. Changes in any of these areas will have a profound effect on the workings of the student aid delivery system, and, in particular, on the policies and practices of the other partners and providers.

It is clear to me that a more formal mechanism is required. Therefore, we suggest that a National Advisory Committee on Student Assistance be established to serve as the focal point for monitoring and improving the delivery of student aid.

Mr. Chairman, I should emphasize that this recommendation differs from the proposal advanced by the College Board in testimony to this Committee calling for a National Commission on Student Assistance Standards.

As we recommend it, the Committee would be advisory to the Congress. Among the responsibilities we suggest would be:

- o to provide advice and guidance to the Congress on matters of student aid policy and practice requiring technical knowledge and expertise;
- o to monitor the delivery of federal student assistance programs to assure coordination with other government agencies and non-federal aid sources;
- o to recommend to the Congress data collection needs and student information requirements which would improve access and choice for students eligible for aid under Title IV programs;
- o to undertake studies on the instruction of the Congress.

The Advisory Committee should not and cannot, of course, be authorized to set policy on its own as to family contribution rates, eligibility standards, or other matters which are the responsibility of the elected officials of the Congress under existing law. The Committee could, however, make recommendations on these matters.

The Congress adopted a perhaps comparable approach in the health care area when it established under the Social Security Amendments of 1983 the Prospective Payment Assessment Commission, known as "ProPAC". The problems facing the Congress at that time, as I understand them, included rising costs, eligibility, need, sources of non-federal funds, the impact of technology, and pricing. Some of these issues now seem to be facing student aid. The Committee may want to consider the ProPAC model as it considers the merits of the Coalition's and other recommendations for a technical advisory committee.

When the Congress reformed the Medicare program payment method for hospital services in 1983, it therefore recognized the need for a panel of medical and health care experts to study the new system and to recommend to the Congress and to the Secretary of HHS any appropriate changes to the payment system. ProPAC was created as an independent advisory committee to carry out these functions.

The Director of the Office of Technology Assessment was given the responsibility to select and appoint the Commission members. OTA is also required to report annually to Congress on the functioning and progress of the Commission. Commenting on the various forms of medical-technology assessment, the OTA Director noted in a recent publication:

> "The present approach is characterized by multiple participants from the public and private sectors, and by uncoordinated activities....the result is an overload and confusion among decisionmakers and consumers."

ProPAC's Chairman, Stuart Altman, Dean of the Florence Heller Graduate School for Advanced Studies in Social Welfare at Brandeis University, said recently of the Commission:

> "The most important thing we have to do is to be a truly honest broker...Someone needs to play the role of bringing out objective information in order for the political process to play out. If it is at all possible, I would like the commission to play that role, to call the shots on their technical merits..."

Mr. Chairman, this analogy, of course, may be questioned. After all, the Commissioners on ProPAC are dealing with extremely technical assessments of medical practice and technology. Educational technology has scarcely reached a high level of sophistication, but someday it may. Ways of assessing student need and "satisfactory progress" in education, as in health care, may require continuing technical analysis.

A parallel may therefore exist between the ProPAC Commission and what we are recommending. The Committee may want to consider the discussion and debate leading to the creation of ProPAC as it considers the merits of such an advisory group.

I would be happy, of course, to try to answer any questions you might have.

APPENDIX A

PELL (BASIC) GRANT PROGRAM

ELIGIBLE APPLICANTS

	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Total Eligibles	2,258,043	2,390,320	2,228,603	3,029,745	3,420,000	3,420,000	3,340,776	3,541,31
% Dependent	63.1%	58.1%	60.3%	61.8%	57.0%	54.9%	51.7%	49.5%
% Independent	36.9%	41.9%	39.7%	38.2%	43.0%	45.0%	48.3%	50.5%

AGE DISTRIBUTION - INDEPENDENT ELIGIBLES

22 yrs and under	32.1%	31.0%	29.8%	31.4%	30.4%	30.7%	30.0%	28.4%
23 yrs - 30 yrs	47.8%	47.9%	47.6%	45.6%	45.6%	45.0%	45.0%	44.8%
Over 30 yrs	20.1%	21.1%	22.6%	23.0%	24.0%	24.2%	25.0%	26.8%

Source: U.S. Department of Education, Office of Student Financial Assistance

APPENDIX B

Campus Based Student Aid Program Recipients
(Unduplicated)

Award Year		Undergraduate Dependent	Undergraduate Independent	Graduate and Pro. students	Less than 1/2 time	Total number of Recipients	Total dollars awarded
1974-75	No. of Recipients .	850,371	256,353	64,908	-----	1,171,632	
	$'s Awarded	$ 650,274,549	$227,695,732	$ 78,029,714	-----		$ 956,000,000
1975-76		1,424,616	333,470 (18%)	75,572	-----	1,833,658	
		$ 825,199,770	$311,956,179 (25%)	$102,232,523			$1,239,388,472
1976-77		1,052,554	373,946 (24%)	78,784	-----	1,505,284	
		$ 788,939,502	$302,603,887 (25%)	$115,114,048	-----		$1,206,657,437
1977-78		1,007,544	306,974 (20%)	205,155	-----	1,519,673	
		$ 841,377,258	$333,950,520 (25%)	$153,863,425	-----		$1,329,191,203
1978-79		911,060	330,432 (24%)	128,329	-----	1,369,821	
		$ 882,559,078	$361,378,375 (25%)	$158,194,686	-----		$1,402,132,139
1979-80		1,112,999	510,425 (27%)	234,960	-----	1,858,384	
		$ 974,842,123	$415,498,456 (26%)	$195,014,836	-----		$1,585,355,415
1980-81		1,006,838	375,823 (25%)	110,064	554	1,493,275	
		$1,088,141,877	$431,288,383 (25%)	$197,949,118	560,321		$1,717,939,699
1981-82		1,026,347	376,320 (24%)	104,304	648	1,507,619	
		$1,011,144,870	$391,525,529 (25%)	$156,536,269	530,930		$1,559,737,598
1982-83		917,663	374,948 (28%)	83,031	753	1,376,395	
		$ 995,033,263	$403,557,669 (29%)	$157,006,595	383,306		$1,555,980,833

Source: U.S. Department of Education
Office of Student Financial Assistance

APPENDIX C

STUDENT AID AND PUBLIC HIGHER EDUCATION

RECENT CHANGES

by
Jacob O. Stampen
Department of Educational Administration
University of Wisconsin-Madison

with assistance from
Roxanne Wilkie Reeves
Wisconsin Center for Education Research
University of Wisconsin-Madison

The American Council on Education
The American Association of Community and Junior Colleges
The American Association of State Colleges and Universities
The National Association of State Universities and Grant Colleges

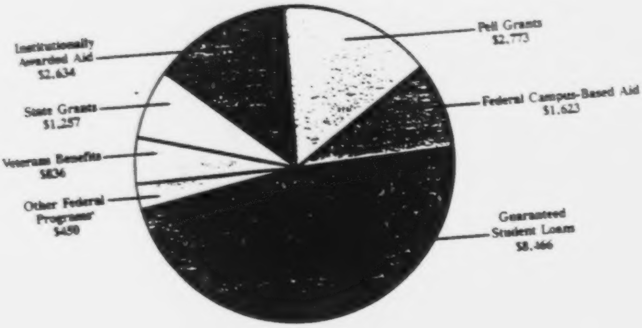
March 1985

Table 5

Age Distribution of Dependent and Independent Aid Recipients

	Dependent		Independent	
	1981-82	1983-84	1981-82	1983-84
21 and under	79.6	76.2	19.2	15.9
22-24	17.3	19.5	25.6	25.0
25-30	2.5	3.6	31.6	33.4
31-40	.5	.5	18.1	20.0
Over 41	.1	.2	5.5	5.7
Total	100.0	100.0	100.0	100.0

Estimated Student Aid by Source, 1984-85 Academic Year
(Current Dollars in Millions)



Total Aid Awarded = $18,040 million

Notes

Based on Table 1

[1] Includes federal contributions to SSIG, Social Security education benefits, and aid from other federally supported grant and loan programs.

Source: The College Board, Washington, DC, Trends in Student Aid: 1980 to 1984

NATIONAL STUDENT AID COALITION
One Dupont Circle, NW • Suite 540 • Washington, DC 20036 • (202) 775-9415

The National Student Aid Coalition

History

Until the mid-1970's, the process of "governing" student financial aid was characterized by a largely informal give-and-take of responsibilities and decision-making authority. The inception of the Basic Educational Opportunity Grant Program and the expansion of funding of other Federal and state aid programs which occurred in 1972 brought strains to the delivery system mechanism and called into question that form of governance. In response to those strains, the postsecondary educational community formed the National Task Force on Student Aid Problems to focus attention on issues concerning the delivery system, development of consensus solutions to those issues, and advancement of those solutions for consideration and implementation by federal, state, and institutional policy makers and administrators.

The Task Force was intentionally and formally organized for a fixed time. When that time expired, it recommended that its activities be continued by a "coalition" sponsored by the American Council on Education and the Education Commission of the States. From 1975 to 1980, the Coalition for the Coordination of Student Finanical Aid represented the interests of students, states, and postsecondary institutions in student aid delivery system issues. An informal and voluntary organization, the Coalition implemented many of the Task Force's recommendations and provided advice on other policy and procedural issues as they arose.

Several developments in the late 1970's suggested the need for a more formal, organized body to carry on the work of the Coalition and to provide for a broad-based mechanism to assert institutional, consumer, and state interests both in delivery system and policy issues concerning student aid. The formation of a cabinet-level Education Department and the consulting requirements placed on the Secretary by the Education Amendments of 1980 suggested that the absence of a recognized, formally constituted body would lessen the effectiveness of the Coalition in student aid related matters. A series of discussions led to the reorganization and establishment in 1981 of an expanded National Student Aid Coalition, funded by grants from both The Ford Foundation and the Carnegie Corporation of New York.

Purpose and Functions

The purpose of the National Student Aid Coalition is to provide a forum for coordinating the efforts of associations with an interest in student financial aid. While the intended purpose of the Coalition is the development of consensus among the postsecondary community, participation in the Coalition does not infringe on the right of any organization or individual to take a position independent of or in opposition to that of the Coalition.

The general functions of The National Student Aid Coalition are:

(1) To provide a mechanism for focusing the perspectives and concerns of a variety of interested groups in identifying issues and effectively coordinating national student aid policies among Federal and state agencies and institutions;

(2) To develop and maintain the desired relationships between the aid provided by different funding sources and the aid provided through different delivery mechanisms;

(3) To develop and maintain the standards by which financial need, but not necessarily program eligibility, will be measured;

(4) To formulate mechanisms for coordination of the systems by which aid is delivered to states, institutions, and individual students and the principles by which that aid is administered in such areas as calendar, forms, definitions, public information programs, levels of staff, etc.; and,

(5) To identify or conduct studies evaluating the impacts of student aid on students, families, institutions, states, and society.

Organization

The National Student Aid Coalition currently consists of a representative of each of the member organizations and six public members. Additional organizations may be approved as members upon recommendation of the Executive Committee and a two-thirds vote of the Coalition. The Chair of the Coalition, currently Mr. Francis Keppel, is elected from the membership to serve a two year term.

Committees

The Executive Committee reflects the broad and diverse membership of the full Coalition. The Committee serves as the steering and administrative counsel for the Coalition, identifies issues for consideration of the membership, receives reports from standing and ad hoc committees, and formulates the agenda for the meetings of the Coalition. The members of the Executive Committee are listed on the following page.

A standing Committee on Budget and Finance oversees operating procedures, reviews expenditures, and develops budget priorities. The Treasurer of the Coalition, Dorothy Cann (Director, Apex Technical School), currently chairs this Committee.

A standing Committee on Needs Assessment and Delivery reviews annually and develops recommendations to update the Uniform Methodology--the "consensus methodology" for measuring a family's ability to pay for postsecondary education. The Committee also serves as a forum for the discussion of issues and concerns related to the delivery of student aid. The Committee is chaired by John Brugel, Director of Financial Aid, Pennsylvania State University.

A Task Force on Reauthorization is charged with the responsibility of soliciting, reviewing, and compiling recommendations for changes to Title IV (student financial assistance) of the Higher Education Act of 1965, as amended. The work of the Task Force is limited to the consideration of technical modifications, clarifications and refinements within the current structure of the statute. Dallas Martin, Executive Director of the National Association of Student Financial Aid Administrators, is Chairman.

A Task Force on Student Earnings is charged with compiling, examining, and evaluating relevant data and information on the treatment of student earnings in the Uniform Methodology. The scope of the Task Force's inquiries includes, but is not limited to, the earnings of dependent students during the academic year and during periods of nonenrollment and the total sources of income for self-supporting students. The Task Force has distributed a preliminary report and will present its final report to the Coalition in November of 1985.

National Student Aid Coalition

Member Organizations

American Association of Collegiate Registrars and Admissions Officers
American Association of Community and Junior Colleges
American Association of Counseling and Development
American Association of State Colleges and Universities
American Association of University Professors
American College Testing Program
American Council on Cosmetology Education
American Council on Education
Association of Advanced Rabbinical and Talmudic Schools
Association of American Universities
Association of Community College Trustees
Association of Independent Colleges and Schools
Association of Jesuit Colleges and Universities
College Scholarship Service Assembly of the College Board
Council of Graduate Schools in the United States
Education Commission of the States
Educational Testing Service
Graduate and Professional Financial Aid Council
Higher Education Assistance Foundation
National Association of College Admissions Counselors
National Association of College and University Business Officers
National Association of Health Career Schools
National Association of Independent Colleges and Universities
National Association of State Scholarship and Grant Programs
National Association of State Universities and Land-Grant Colleges
National Association of Student Financial Aid Administrators
National Association of Student Personnel Administrators
National Association of Trade and Technical Schools
National Coalition of Independent College and University Students
National Council of Educational Opportunity Associations
National Council of Higher Education Loan Programs
National Education Association
National Organization of Black University and College Students
National Student Educational Fund
State Higher Education Executive Officers Association
United States Student Association
United Student Aid Fund

Public Members

Frances M. Kelly (IBM Corporation)
Francis Keppel (Harvard University)
Rafael J. Magallan (Hispanic Higher Education Coalition)
Kenneth Reener (Pennsylvania Higher Education Assistance Agency)
Duane C. Scribner (Dayton Hudson Corporation)
Craig Ulrich (Consumer Banker's Association)

Executive Committee

Robert Atwell (ACE)
Dorothy Cann (NATTS)
Peter Gossens (NAICU)
Dan Hall (CSS)
Mary Haldane (NASFAA)
Francis Keppel (Chairman, Public Member)
Dallas Martin (NASFAA)
Arnold Mitchem (NCEOA)
Kenneth Reeher (Public Member)

Mr. FORD. Mr. Martin.

STATEMENT OF DALLAS MARTIN, JR., EXECUTIVE DIRECTOR, THE NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Mr. MARTIN. Thank you, Mr. Chairman, and Mr. Jeffords. I appreciate the opportunity to appear before you today on behalf of the National Association of Student Financial Aid Administrators and to discuss particularly the issues of need analysis and the master calendar.

As you know, Mr. Chairman, in recognition that many families are simply unable to provide necessary funding to their children, that over the years in particular this committee has helped to develop many worthwhile programs to provide student assistance to students. Each of these programs have been developed over time with different purposes in mind to serve different types of students, and each of them subsequently has different eligibility criteria and also in some cases different ways of assessing the student and/or his or her family's ability to pay for that postsecondary education.

In the early days of operating these programs, students and their parents were often required to submit numerous applications, and often various data, in order to have their eligibility determined. It was not unusual, in fact, for a single student applying to one institution to complete as many as five or six different forms in order to determine their eligibility for those programs. This was a fairly inefficient system, and it obviously discouraged many parents and students from applying for student aid. So in 1974, in order to address this problem, 26 educational associations came together voluntarily and formed the National Task Force on Student Aid Problems. I might add, Mr. Chairman, that that task force was chaired by my good friend and colleague sitting next to me, Mr. Frank Keppel, who was the former Commissioner of Education at that time.

The preliminary work of the task force centered upon those activities which occur at the beginning of the student aid process; namely, the delivery system. And by design and agreement, the activities of the task force were limited to that delivery system and we did not attempt to deal with the broader social policy aspects or to discuss the most appropriate mechanisms for financing postsecondary education. We were concerned, however, that at that time there were different forms of need analysis and that the major services and the States that operated such often developed results that were quite different. In fact, in times, even with the same information submitted by a student to these different services, the results could vary by as much as $1,000. So one of the tasks of the Keppel task force was to develop a standard and consistent model of a family's ability to pay and from that develop the consensus model which is now referred to today as the Uniform Methodology. That Uniform Methodology was put into place in the fall of 1975 by the National Needs Analysis Services and has continued since then to serve as this consistent economic model.

The basic premises that were adopted by that task force as underlying the entire process of need analysis were as follows:

The results of the need analysis should be an objective and equitable measurement of the actual amount of money needed by a particular student to successfully complete a program of study at a particular institution. Unfortunately, much of the confusion of students and parents derive from their inability to understand how they can finance an education on the basis of awards that are made under artificially limited measurements of their need. And estimates of parental contribution or student contribution in the educational budget should not be used as a ration device. Consequently, from that the basic philosophy that undergirded the Uniform Methodology and is still the concepts that are looked at today is that a certain level of income and assets are required to provide for the economic necessities of the family.

In addition, the Uniform Methodology is based on certain basic assumptions and principles as follows:

First of all, as Mr. Jeffords pointed out, that parents have an obligation to finance the education of their children to the extent that they are able.

Second, that families should be accepted in their present financial condition.

Third, that income and assets of the parents and student are considered in estimating the family's ability to contribute.

Fourth, that students are expected to contribute to their own educational costs through earnings, savings, or other resources that may be available to them.

And that students themselves are expected to contribute a greater portion of their income and assets for education than their parents since they are the primary beneficiaries of that education.

And also, to qualify as a self-supporting student, they must demonstrate according to established criteria that they are not receiving any significant financial assistance from their parents.

As I noted, the Uniform Methodology today is the system of need analysis that is used for Federal, State, private, and institutional aid programs. I say that, and it is used consistently with the exception of the Pell Grant Program. Others would say that the Pell grant formula is really just that. It is a formula, and it is really a program eligibility determination which bears little resemblance to an assessment of a family's ability to contribute to postsecondary education.

And as a result of that I think, Mr. Chairman, that this has caused confusion and uncertainty for students and families alike. Distinction must be acknowledged in that some aspects of what we have referred to as need analysis in fact in the Pell Grant Program are not need analysis, but they are eligibility requirements which are not related at all to the amount of money needed by an individual student attending a particular institution. In fact, the Pell grant formula I think it is safe to say is really a rationing device based upon the fact that there is a basic level of Federal financial support in the form of a grant while at the same time trying to be mindful that we have limited dollars and therefore we have to live within budgetary ceilings.

Unlike the other Federal title IV programs, the campus-based programs that allow institutions to set reasonable cost of attendance, the Pell Grant Program has since its inception consisted of arbitrary allowances which in many cases understate the student's cost of attendance by as much as $1,200 to $1,800 per year.

Another factor that has contributed to the confusion regarding the Pell grant formula is, is that when it was established originally that formula has been described in terms that make it appear to be synonymous with those that are used in the Uniform Methodology. So the use of such terms as "family contribution schedule," "family size offsets," and "cost of attendance" in the Pell Grant Program have led many to believe that these are the same components that are used within the Uniform Methodology when in fact they are not. So this has created great confusion between the two systems.

Obviously you and the members of this subcommittee in an effort to help deal with this confusion in the Education Amendments of 1980 attempted to simplify the process and establish a single need analysis system into law. And while this idea was not without merit, problems soon arose when we realized that if, in fact, that system had been put in place that the Pell Grant Program in that particular year would have cost substantially more than the resources that were available. The Department of Education at that time I might add also suggested that rather than adopting the more liberalized approach and perhaps balanced approach that was contained in the law, that they wanted to restrict the formula, which would have also had major impact upon the campus-based programs. As a result of that, the need analysis issues became somewhat clouded.

It became further clouded in the Omnibus Budget Reconciliation Act in 1981 when yet another system was introduced, and this was the needs test that was imposed on the Guaranteed Student Loan Program. This system consisted of a set of look-up tables, which, in fact, was based off of family income and not upon assets, and so as such a third system of need analysis, per se, came into it.

The truth of the matter is that today many people believe that we have three so-called separate need analysis systems in the title IV programs: The Pell grant eligibility formula, the Guaranteed Student Loan Program look-up tables, and, of course, the Uniform Methodology.

Let me say, Mr. Chairman, that really the Uniform Methodology is really the only true need analysis system, and the others are more appropriately defined as formulas for defining program eligibility.

Many things have been said about need analysis and what it is, but I think one of the things that we are concerned about is that need analysis itself is really a taxing system which attempts to determine the appropriate balance of educational financing between the student's family and the donors of financial aid. And as such it must have face validity; that is, it must be perceived as being both fair by students and their families and the public generally, and it must be within reasonable expectations so that people will not attempt to manipulate the system until it meets their own definition of fairness.

Need analysis consists of two basic components: First, the cost of attending school, which are the direct costs; and, second, the calculation of the expected contribution. And it is the difference between that that results in a student's need. A need analysis system, per se, does not assure that the needed funds will be available, although financial need may be one of the eligibility criteria for a particular financial aid program. Therefore, we believe strongly that no particular financial aid program should dictate the criteria for determining need. A need analysis result should say that this is what we believe you need and we hope you can find it. It should not say that since this is all we can give you this is all you need.

Of the three Federal need analysis systems, we believe, therefore, that only the Uniform Methodology truly meets all of these goals, and therefore it is widely accepted. We also continue to believe that the essence of any single need analysis is that it must be independent of any particular aid program, and that it must be generally accepted as reasonable by families and by donors alike. We also believe that a single need analysis formula can and will somewhat respond slowly to changes in the general availability of student aid funding.

I think the distinction that must be made, Mr. Chairman, is that need analysis is designed to determine a family's ability to pay; and program eligibility criteria, on the other hand, are specifically designed to determine how actual program dollars are to be expended or to identify the groups or the categories or the types of students who should receive such funds. This distinction between need analysis and program eligibility is often unclear, and as such, these factors perhaps more than anything else have contributed to some of the confusion.

Having talked a little bit about the history and the background of need analysis, let me now turn to some considerns. As I said, we generally support the attempt that was made in the 1980 amendments in hopes to try and provide some clarity in the law. As such, one of the new sections that was added at that time was section 482, labeled "Need Analysis." This section combines not only the time lines and procedures that were previously contained in section 411 under the Pell Grant Program, but it also expanded that somewhat to give other general criteria for all programs.

However, at the time that section was drafted, Mr. Chairman, and I might add that we helped contribute to that, a number of other additional features that were contained in the Uniform Methodology were not included in that formula per se; and as such, we soon discovered that perhaps it did not serve either of those efforts well. Consequently, NASFAA, along with other educational groups have subsequently had to work with Congress to somewhat decouple, if you will, or cause a separation, of those two systems since 1981 and that still existo through the present time.

Let me say, Mr. Chairman, that clearly NASFAA would support some expansion and liberalization of the Pell Grant Program. We think it is somewhat too restrictive. But the budgetary environment over the past 4 years has made it almost impossible to obtain those necessary funds to make those changes. Regardless of funding, we still continue to believe, therefore, that need analysis to be useful should be rational and it must be universal and independent of any particular aid program. We would, therefore, recommend that it should not be definitively written or codified into the actual program statutes, per se. The issue is not so much, Mr. Chairman, whether it can be done, but whether or not it should be done.

Those of us in the financial aid profession realizes that compromises between the current features of the Uniform Methodology and the Pell grant formula can be made to make the features more similar.

Furthermore, let me say that no one in our financial aid community denies the fact that Congress—you, the Members of Congress, yourselves—should not set the program eligibility guidelines or the parameters for those programs that this body enacts, but we do not believe the Congress should automatically impose that criterion upon States, institutions or providers of other sources of private funds. Therefore, we would strongly recommend that section 482 be changed and to specifically deal with program eligibility and to define specifically those things that you want in terms of the various programs that are under the title IV program. But it should not be written into need analysis per se.

In this way, Mr. Chairman, we believe that this body and Congress itself can continue to exercise its appropriate authority in determining through the legislative process those students that you wish to be eligible for title IV funds. You also may wish to include or exclude any social, academic or economic factors that you determine that are appropriate in establishing that eligibility. On the other hand, a uniform standard that attempts to reasonably assess a family's ability to pay should be independent of these variables and predicated upon the objective economic realities of the family's situation as compared to others in like or in different family circumstances. That system cannot be too generous or it cannot be too restrictive, but it must be reasonably accepted by most citizens and donors as being fair and sensitive if, in fact, it is to remain to be an acceptable national standard of a family's ability to pay.

Mr. Chairman, let me also very briefly turn to another matter which Mr. Keppel has referred to, and that is the establishment of a master calendar. We, too, strongly support the idea of the establishment in law of some time lines that will help to ensure that critical dates are met by our colleagues in the Education Department. This includes not only many of the items that Mr. Keppel has already identified as a part of the delivery system, but also regulations as well.

We realize occasionally that events may arise that would prevent the Department from meeting every one of these time lines, but we also believe that they should be responsible and accountable for their actions. And therefore, if they miss these, we believe that they should tell the Congress why. From past experiences, we have seen what happens when the forms are delayed, when regulations are changed at the last moment, or payment schedules are not available to notify students in a timely manner. The results are that students most in need of the programs to enable them to pursue a postsecondary education simply give up. They abandon their dreams of having a better life. Errors in administrative operations result because adequate time was not available for us to properly implement new procedures, which, in turn, are then reported in audits and program reviews thus giving the appearance we have poor or improper administration of these programs.

Additionally, unnecessary resources and manpower are expended because schools are forced to operate in a crisis mode of operation, rather than being able to utilize those limited resources to improve and enhance existing services and objectives. Therefore, we strongly encourage the Congress to spell out these responsibilities and expectations in order to help ensure that students in need of these dollars will be well served.

Mr. Chairman, in conclusion, let me also say one other thing. That we are delighted and pleased today that as one of your other panels that you are going to again look at the GAO report that came out a few months ago. And let me just say that we, too, have concerns about that, and I look forward to hearing the witnesses from the GAO as well as others today.

One of the things that concerned us was some of the data in there that seemed to point to abuses with satisfactory academic progress. We found it somewhat incredible that the time lines that were used in that and the measurements that were used with those regulations were such that the final regulations for the Department of Education were not even in place at that time. And yet it was those assumptions and standards that were used, in part, in that evaluation.

We look forward to that hearing, and we have other data about satisfactory progress which we will submit to this subcommittee later on as you proceed with your hearings.

Thank you very much for the opportunity to appear here, Mr. Chairman.

Mr. FORD. Thank you.

[Prepared statement of Dallas Martin, Jr. follows:]

PREPARED STATEMENT OF A. DALLAS MARTIN, JR., EXECUTIVE DIRECTOR, THE NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Mr. Chairman, Members of the Subcommittee, I appreciate the opportunity tc appear before you to address the need analysis and master calendar issues related to the reauthorization of the Higher Education Act.

As you know, the student aid delivery system encompasses not only the means by which the aid is distributed to students, but the application for the aid, the assessment of a student's need for such aid, the timing of the notification and the actual disbursement of the aid, the application of rules and guidelines for the award and payment of the aid, and the policies and procedures employed by institutions to ensure the integrity of the programs.

Throughout these hearings, we have referenced different aspects of the delivery process, but today I would like to focus my remarks on the issues relating to ability to pay and the student aid calendar.

History of Need Analysis

Since the onset of postsecondary education in the United States, many students have been faced with problems in finding adequate resources with which to meet the increasing costs of an education. The recognition that many families are simply unable to provide the necessary funding to enable their children to attend postsecondary education has over the years led to the establishment of a number of federal, state, institutional, and private student aid programs intended to provide supplemental funds for students from these families. Each of these programs has been developed over time, created with different purposes in mind and designed to serve different types of students. As such, the programs often have different eligibility criteria and utilize various factors in assessing a student and/or his or her family's ability to pay for postsecondary education.

In the early days of operating these programs, students and their parents were often required to submit numerous applications and various data in order to have their eligibility for aid determined. This lack of consistency often required a student who was applying for aid to complete five or six different forms to attend just one single institution. At that time the system was not only inefficient, but it often discouraged many needy students from applying for student aid.

In order to address these problems, in May 1974, a group of twenty-six educational associations and organizations voluntarily came together and formed the National Task Force on Student Aid Problems. The Task Force was chaired by Mr. Frank Keppel, former Commissioner of Education. The preliminary work of the Task Force centered upon those activities which occur at the beginning of the student aid process, including a review of how students receive information about available aid, how they apply for aid, how their need is assessed, how they are notified of their aid awards, and how they use that aid to begin or continue their education. By design, and agreement, the activities of the Task Force were limited to the delivery system; and the Task Force did not deal with the broader, social policy aspects often involved in student aid, nor did it attempt to discuss the most appropriate mechanism for financing postsecondary education. As I've noted, when the Task Force began there was very little uniformity in the actual forms students completed to apply for student aid, or in the manner in which their need was determined. In fact, the major services and states that operated the need analysis programs functioned very independently. As such, when students and families applied for financial aid they often found the results obtained from the various calculations were quite different. In fact, at times these calculations could vary as much as $1,000, based upon identical information submitted for the same family through the use of different economic models. Consequently the family could become extremely confused upon receiving three different estimates of their overall financial strength when they submitted identical information to the two major processors and/or to the Basic Educational Opportunity Grant program processor. One of the issues that was undertaken by the National Task Force on Student Aid Problems was to develop a standard and consistent model for determining a family's ability to pay for postsecondary education.

As a result of these efforts, the Task Force was able to develop a consensus methodology for assessing a family's ability to pay which led to the development of the Uniform Methodology. This methodology was implemented by the two major national need analysis services in the fall of 1975, and since then it has continued to serve as a consistent economic model which is reviewed annually, and updated to reflect current economic conditions and to adjust the parameters in the calculation in the family contribution. Through the years, this model has become the most widely used and recognized standard in assessing a family's ability to pay. Today it is used by the vast majority of states and institutions in awarding campus-based dollars to students as well as most state and institutional aid funds.

The basic premises adopted by the Task Force as underlying the entire process of need analysis were as follows:

> The results of need analysis should be an objective and equitable measurement of the actual amount of money needed by a particular student to successfully complete a program of study at a particular institution. Much of the confusion of students and their parents derives from their inability to understand how they can finance an education on the basis of awards made under artifically limited measurements of their need. Estimates of parental contribution, student contribution, and budget should not be used as rationing devices. Efforts should be made to increase the level of funding available for student aid, but until that is accomplished the need analysis system and procedures should not be used to make it appear that needs are being met when in fact they are not.

With this in mind, the following definitions were adopted by the Task Force, both as mechanisms to clarify some of the confusion and as the means of describing with more precision the recommendations made to improve the system.

- Determination of ability to pay is a process which involves the measurement of the economic well-being or financial strength of the candidate and/or his or her family and the subsequent determination of a contribution toward educational expenses through the application of some "taxation rate" to the measure of financial strength.
- Determination of program eligibility is the translation of the purpose for which a student aid program has been established (whether implicit or explicit) into some measurable indicator of an academic, personal, or financial characteristic of the desired recipient or his or her family.
- Determination of financial need is the measurement of the specific amount of money needed by an individual student attending or planning to attend a particular postsecondary institution.

These definitions have remained within the Uniform Methodology since it was enacted in 1975. The Methodology is currently the primary system used for determining eligibility for the federal student aid programs, with the exception of the Pell Grant Program. To insure consistency, the Education Department, each year, publishes benchmarks against which need analysis systems are measured to ensure compliance with the standards for determining a family's ability to pay for postsecondary education. In addition, the Uniform Methodology is used for most assistance awarded through institutional sources, and forty states currently use the Uniform Methodology for the programs they fund and administer.

Basic to the philosophy of the Uniform Methodology is the concept that certain levels of income and assets are required to provide for the economic necessities of the family, and income and assets above these levels are available, in varying amounts, for meeting the costs of postsecondary education. In addition, the Uniform Methodology is based on certain basic assumptions and principles as follows:

(1) Parents have an obligation to finance the education of their children to the extent they are able.

(2) The family should be accepted in its present financial condition.

(3) Income and assets of the parents and student are considered in estimating a family's ability to contribute to educational costs.

(4) Students are expected to contribute to their own educational costs through earnings, savings, or other resources that may be available to them.

(5) Students are expected to contribute a greater proportion of their income and assets for education than their parents since they are the primary beneficiaries of the education received.

(6) To qualify as self-supporting, students must demonstrate according to established criteria that they are not receiving any significant financial assistance from their parents.

As mentioned earlier, the Uniform Methodology is the system of need analysis used for federal, state, private, and institutional aid programs, except for the Pell Grant Program. Many would argue that the formula which determines eligibility under the Pell Grant Program is just that -- a program eligibility determination, which bears little resemblance to an assessment of a family's ability to contribute to postsecondary education. This has caused confusion and uncertainty for students, families, and others who are not so familiar with the purposes and workings of the formulae. This distinction must be acknowledged in that some aspects of what may be referred to as need analysis in the Pell Grant Program, are in fact rooted in program eligibility requirements which are not related to the amount of money needed by an individual student attending a particular institution. In fact, the Pell Grant formula is a rationing device specifically designed to determine eligibility for a basic level of federal financial support in the form of a grant while limiting program costs to an annually imposed budgetary ceiling.

Unlike the other federal title IV student aid programs, which allow institutions to set reasonable costs-of-attendance based on local conditions, the cost-of-attendance for the Pell Grant Program has, since the program's inception, consisted of arbitrary allowances, which in many cases may understate a student's actual cost-of-attendance by as much as $1,200 to $1,800. In addition, an individual student's Pell Grant may not, in academic year 1985-86, exceed 60 percent of the student's cost-of-attendance. I should note this is certainly an improvement for our students with the greatest amount of financial need because Pell Grants have, since the program's inception, been limited to 50 percent of a student's cost-of-attendance.

Also, contributing to the confusion regarding the Pell Grant formula is the fact that the data elements and the components of the formula have been described in terms that make them appear to be synonomous with those used in Uniform Methodology. The use of terms such as "family contribution schedules," "family size offsets," and "costs-of-attendance," within the Pell Grant Program have led many to believe these are the same components or terms utilized within the Uniform Methodology which does assess a family's ability to pay. This confusion between these two systems has created confusion in the minds of parents, students, and educators, who have in turn complained about the complexity and inconsistencies of "need analysis."

Further complicating the issue, as explained in NASFAA's statement before this Subcommittee on June 27th, is the fact that adjustments to the data used to determine eligibility for the Pell Grant Program are not allowed at the campus level, nor is the processing of Pell Grant application data by the national need analysis services recognized as legitimate under the program. The Pell Grant program uses a separate federal processor even though 85 percent of the Pell application data is transmitted to this processor by the national need analysis services. These national need analysis services (also known as Multiple Data Entry processors) calculate and print on their own output documents, the same Pell Grant Aid Index calculated by the government's central processor. Fortunately this gives institutions the ability to estimate students' Pell Grant awards and notify them of the various amounts in the aid package without having to wait for the federal government to process the student's Student Aid Report. We have therefore long supported the elimination of the Pell Grant central processor, thus helping to decentralize the program.

In an effort to reduce confusion and simplify the process of need analysis, in the Education Amendments of 1980, the Congress established a single need analysis system. While the idea was not without merit, problems soon arose when it was realized that the application of such a system to the Pell Grant Program would increase program costs substantially beyond the resources available. Conversely, when the Education Department suggested that rather than adopting the more liberalized approach contained in the law a more restrictive formula should be used for campus-based programs, the financial aid community took exception to the unreasonableness of using the Pell Grant formula for determining need under the campus-based, state, and institutional aid programs. Therefore, since the enactment of the 1980 Education Amendments, legislation has separated the two formulas.

The need analysis issue was somewhat clouded again in the Omnibus Budget Reconciliation Act of 1981, when yet another system was introduced for use in the Guaranteed Student Loan Program. This system eliminates assets from consideration in determining a family's contribution and consists of simple look-up tables. It should be noted here that this GSL look-up system cannot be used for students who qualify for and are awarded campus-based aid. Regulations require that the same family contribution figure used to determine need for campus-based programs be used for GSL in these situations. Therefore, today we have in place three so-called separate need analysis systems: the Uniform Methodology, which is really the only true need analysis system; the Pell Grant eligibility formula; and the Guaranteed Student Loan Look-up Tables which more appropriately are formulas for defining program eligibility. With this background, let us now define need analysis.

What is Need Analysis?

While many papers have been written over the years which answer this question, perhaps one of the better descriptions was contained in a paper written by Mr. Mark Heffron of the American College Testing Program, in 1983, when he wrote:

> "Need analysis is a taxing system which attempts to determine the appropriate balance of educational financing between the student's family and the donors of financial aid. As such, it must have face validity, that is as being perceived as fair to both students and their families, and the public. If it is not so perceived, it can be expected people will attempt to manipulate the system until it meets their definition of fairness. Need analysis is comprised of two basic components. First, the cost of attending college, which is the sum of the direct costs, that is tuition, fees and books, and some reasonable allowance for living costs. Second is the calculation of an expected contribution, that is the amount of money the student can be expected to obtain from family resources to pay these costs. The purpose of a need analysis is to determine which students need financial

assistance, and how much each needs. A need analysis does not assure the needed funds will be available, although financial need may be one of the eligibility criteria for a particular financial aid program, no particular financial aid program should dictate the criteria for determining need. The need analysis result should say 'this is what be believe you need, we hope you can find it.' It should not say, 'since this is all we can give you, this is all you need.' Clearly, it must be recognized that no need analysis is or can be entirely objective. Beyond the broad boundaries of common sense, there are no generally accepted economic principles that dictate the proper level of contribution. Decisions must be made as to the appropriate level of living to be allowed in computing the cost-of-attendance, and the proportion of assets that should be contributed or protected, and the kind and amount of expenses that should be considered as having priority over educational costs for the expenditure of family funds.

Though total objectivity is not attainable, as many components as possible should be determined in an objective and common sense manner. For example, allowances must be made against income for mandatory taxes. A family has no option to use these funds for college expenses. Likewise, basic living expenses must be recognized at some reasonable, definable level which is regularly and consistently updated to recognize changes to costs of living. Other factors in the analysis must be considered to recognize the similarity and differences between families of different size, number in college, and income and asset holdings in a reasonable and consistent way."

Of the three federal need analysis systems, only the Uniform Methodology truly meets all of these goals.

As such, the Uniform Methodology is generally accepted by the financial aid community as being the national single standard for truly determining the student's need for all types of financial aid. The fact that the Uniform Methodology is the generally accepted single need analysis standard does not mean that there are not those who would not change the formula, or those who wish no change. Since the formula is used to determine need for financial aid, rather than for any particular financial aid program, modifications are intended to make the formula more fair, more sensitive, or more reasonable, not to affect expenditures or savings of particular types of funds. The essence of a single need analysis is that it be independent of any particular aid program, and that it be generally accepted as reasonable by families and by the donors and administrators of most aid programs. A single need analysis formula can and will respond slowly to changes in the general availability of student aid funding. It need not, and to be effective, should not, respond quickly to changes in the funding level of any particular aid program or set of programs.

The distinction that must be made is that need analysis is designed to determine a family's ability to pay. Program eligibility criteria, on the other hand, are specifically designed to determine how actual program dollars are to be expended, or to identify the groups, categories, or types of students which should receive such funds. This distinction between need analysis and program eligibility is often unclear, and as such this factor perhaps more than any other contributes to much of the confusion that surrounds discussions regarding the assessment of a family's ability to pay.

For example, in economic terms, a family with a sizable amount of assets is clearly in a stronger financial position than another family which does not have such holdings. A true need analysis system would therefore produce such a result. The question that may arise, however, is whether or not this first family can really be expected to utilize those assets to pay for postsecondary education. Therefore for purposes of program eligibility, the donors of a particular aid program may decide to exclude from consideration those nonliquid assets a family has that may be in the form of equity in their home, or their business. However, the decision to protect all of these assets is a matter of program eligibility and should not contaminate the proper role or purpose of need analysis, per se.

Need analysis on the other hand, should not involve itself with the political and fiscal constraints that influence program eligibility or even those political sensitivities that often may be addressed in program eligibility. Rather, need analysis must focus upon the family's objective economic reality.

Considerations

Having now provided you with the history and background of need analysis, and a description of what need analysis is, allow me to address a number of other factors we believe should be taken into consideration by the members of this Subcommittee as a part of your reauthorization deliberations. In the Educational Amendments of 1980, a worthwhile attempt was made to reorganize major portions of the statutes in hopes of providing more consistency and clarity in the law. One of the new sections added at that time was Section 482, labeled "Need Analysis." This section combined the timelines and procedures previously contained in Section 411, concerning the Pell Grant Program and an expansion of the description of the formula used to determine eligibility for that program which would now apply to all programs under title IV with the exception of Guaranteed Student Loans and the State Student Incentive Grant programs. However, at the time that section was drafted, a number of additional features which were contained in the Uniform Methodology, but which did not pertain to the formula used to determine Pell Grant eligibility, were added in a belief that this description of need analysis could accommodate both the Campus-based as well as the Pell Grant Program eligibility determinations.

However, we soon discovered that in spite of the good-faith efforts that had been made, this language, if fully implemented, would not only have caused expenditures in the Pell Grant Program to expand well beyond the reasonable budgetary resources allocated for the program, but that statutory provisions in this section failed to take into account many of the variables used with the Uniform Methodology. Consequently, NASFAA, along with other higher education organizations and groups, encouraged the Congress to enact additional legislation which separated the Pell Grant formula from the calculation of the Uniform Methodology which is used with the Campus-based programs. This separation, or decoupling as it became called, has continued to exist from 1981 through the present time.

Clearly, our association, along with others, would have welcomed an expansion and some liberalization in the Pell Grant Program. The budgetary environment over the past four years, however, has made it impossible to obtain the necessary funds required to implement these changes. Regardless of funding, however, we continue to believe, that to be useful and rational, that need analysis must be universal and independent of any particular aid program. Therefore, it should not be definitively written or codified into the actual program statutes per se. The issue is not so much whether it can be done, but whether or not it should be done. Those of us in the financial aid profession realize compromises between the current features of the Uniform Methodology and the Pell Grant Formula can be made to make the feature more similar. Futhermore, no one in the financial aid community denies the fact that Congress itself should set the program eligibility guidelines or parameters for those programs that it enacts. However, we do not believe Congress should automatically impose those criterion upon states, institutions or providers of other sources of student aid funds.

Therefore we would strongly recommend that Section 482 be changed to a section that specifically deals with program eligibility and not with need analysis. In this way, Congress can continue to exercise its appropriate authority in determining, through the legislative process, those students it determines should be eligible for specific title IV funds, and as such, the Congress may well wish to include or exclude any social, academic, or economic factor it determines appropriate in establishing the student's eligibility for a particular program. On the other hand, a uniform standard that attempts to reasonably assess a family's ability to pay should be independent of these variables and predicated upon the objective economic realities of the family's situation as compared to others in like or in different family circumstances. That system must not be too generous and too restrictive, but it must be reasonably accepted by most citizens and donors of the funds as being fair and sensitive if in fact it is to remain an acceptable national standard of a family's ability to pay for postsecondary education.

Consequently, the majority of members within our Association would strongly encourage the Congress not to legislate need analysis, but carefully define eligibility standards for those programs in the law which you authorize to insure that scarce federal dollars are being properly directed towards those families Congress intends to receive such benefits.

Master Calendar

Mr. Chairman, another issue we wish to briefly comment upon today is the establishment of a Master Calendar. This Calendar could be used by all parties to help insure adequate notification and timely delivery of student aid funds under title IV. As you know, for the past several years, a number of these critical dates have been included in the law which have instructed the Education Department to submit contribution schedules or publish certain notices by certain times.

Generally these dates have been followed; however, on other occasions there have been delays on these or other equally critical deadlines that must be adhered to if the delivery system and information to students is to be made available in a timely manner. Therefore, in an effort to avoid these problems in the future, NASFAA has included as part of its reauthorization proposals, a series of recommended dates for completion of specific activities that should be followed by the Education Department. These have been included as Subpart(e) of Section 483, dealing with Forms, Regulations, and Information.

While we realize occasional events may arise that would prevent the Department from meeting each and every one of these timelines, we also strongly believe those accountable for administering these programs should be charged with this responsibility. Further, if they do not adhere to the Calendar they must be required to explain their in-actions to the Congress.

From past experiences, we have seen what happens when the forms are delayed, regulations are changed at the last moment, or payment schedules are not available to notify students in a timely manner. The results are that students most in need of the programs to enable them to pursue a postsecondary education simply give up and abandon their dreams of having a better life. Errors in administrative operations result because adequate time was not available to properly implement new procedures, which in turn are reported in audits and program reviews, thus giving the appearance of poor or improper administration. Unnecessary resources and manpower are expended because schools are forced to operate in a crisis mode of operation, rather than being utilized to improve and enhance the existing services and objectives. Therefore we strongly encourage the Congress to spell out these responsibilities and expectations in order to help insure that students in need of these dollars will be well served.

Thank you again for inviting us to testify on these important issues, and if you have any questions, I will be pleased to respond to them.

Mr. FORD. Both of you are people that I have known for a long time and I am very highly respectful of your judgment in these matters. But I find myself unwilling to move with you when you, Frank, suggest that we just make some broad guidelines and let the Secretary decide what an independent student is and when you suggest the same kind of latitude with regard to need analysis. I, for the first time in 20 years, with Democratic and Republican appointees running the Office of Education have no confidence that that Department over there has either the capacity or the will to write regulations that would carry out the intent and purpose of the congressional mandate on who should be an independent student or who should qualify for how much money under a need analysis. I don't believe that for the simple reason that it is the first time, and that is a change in this administration, it is the first time that the top people running the Department will openly say that it is their objective not to carry out the law as written by Congress but to carry out the policies of the Heritage Foundation that haven't found their way into the statutes by action of the Congress. I can't put it any more gently than that without being dishonest.

Mr. MARTIN. Mr. Chairman, may I respond to that?

Mr. FORD. Yes.

Mr. MARTIN. I would like to make it very clear that we are not suggesting, in terms of the issue on need analysis that we are in any way are suggesting that the Department of Education or the Secretary have the authority to establish that criteria. Quite the contrary. I would strongly encourage this subcommittee, as you draft that legislation, to very clearly spell out in detail how you want the formula for Pell grants to work, and I would strongly encourage you to give those guidelines as it relates to the campus-based and to the GSL programs. We share many of your concerns on that.

The distinction I am trying to draw is that that need analysis also is broader than just those programs; that it also impacts others, and therefore there needs to be some discretion in terms of flexibility in looking at that overall. A good example might be, Mr. Chairman, for an example, that if we were to look at an economic model to judge a need analysis of ability to pay, we might well for an example look at asset holdings that a particular family has. Because a family that has some, as meager as they may be, certainly puts them in a stronger, perhaps, economic position than a family that has none.

On the other hand, it may well be very appropriate in terms of looking at self-help aid in terms of loans or work. The Congress may say, well it is unreasonable to have a family, for an example, to be expected to dip into the equity in their home, even though that is part of an economic model, to pay for education. It is just not available. It is an unreasonable expectation. It may be very appropriate, therefore, for an example with GSL eligibility to say you should not include home equity in the first, principal place of residence as a criteria in that judgment or in that eligibility determination.

The point I am making is that when we are trying to rank students across the spectrum with all of our programs, Mr. Chairman, there are other programs that we interact with that and we need to look at that in some ranking device with a student. So please do not mistake. We share your concerns about some of problems that we have had both with this administration and at times with others, and we do believe that you should keep the control. Our total confidence is here with this body.

Mr. **Ford**. Well, the last word from the Secretary on the matter to me was in front of this committee, in March, when he said because the need analysis in the Guaranteed Student Loan Program was so flawed there are over 13,000 students from families of $100,000 income or more receiving substantial Federal assistance. Now we have not been able to find 13, never mind 13,000. We don't think they can find 13, either. But not one word—and those of you from the Department take this back. Not one word has come back to the Congress with a list of 10, 20, 30, 40 or 1,000, 13,000. And unless I see before we get through with this some clarification from the Department that there was no basis for that statement, that it is not true, that we can use to reassure the Members of the Congress who are going to be considering this bill, I don't want to talk to the Department about any ideas they have in writing this bill if we are not going to be honest. And to this point it stands on the record with no response and an open invitation to the Secretary to submit the basis for that assertion.

Now what did he say when he made that assertion? That he was going to go to work and write a need analysis that would stop that from happening. I don't have any idea what they are cooking up over there, but I am not looking forward to a very easy need analysis for me to accept. And now that we are stuck, unfortunately, with the Court's decision on the vetoing of regulations, we have to nail these things down in the statute. It is unfortunate that the Court took that position because we are now forced to take discretionary power away from administrators that traditionally we have always been very willing to give them. And that would be the case whether we had the current situation in the Department or not.

Mr. Keppel.

Mr. **Keppel**. Mr. Chairman, I must have bumbled in my testimony because I certainly did not intend to give the impression that I apparently did. For among other reasons the reasons you have just given, we venture to suggest that the Congress establish statutory definitions with regard, for example, to independent students. That is an example you gave. And also with regard to definition of need. In other words, we do believe, strongly recommend, indeed, for all the reasons that you have given that that has to be in law. If I gave the other impression, I apologize.

Mr. **Ford**. Thank you.

Mr. Jeffords.

Mr. **Jeffords**. Thank you.

I want to again attack the basic concepts upon which we operate here to get a better understanding. You made the statement, Dr. Martin, that there is obligation of the family to support the student and the need analyses are all based upon that presumption. It seems to me that there is a greater abuse by those that are taking advantage of the independent student concept and this is a challenge to that precept.

On what basis is there a legal obligation of the parents to pay for their child's education? And if there is one, then it would appear to be a question of enforcing that legal obligation in some form, either by tightening up or by actually bringing about a criminal or civil action to enforce that obligation. First of all, do you believe there is a legally enforceable obligation to educate your children once they are no longer children?

Mr. MARTIN. Mr. Jeffords, let me begin by saying first of all I am not an attorney, so—but let me comment on that. I think there is some precedent in the courts in terms of decisions with separation and divorce. That there is clearly a body of legal support that suggests that in such judgments that often a judge will provide certain kinds of responsibilities to those parents to continue to provide support for those children. In some cases that will include education.

But you made the comment in your opening remarks that since the early 1970's or so we have made a change in this country in terms of age of majority, primarily moving in most cases from the age 21 to 18 for purposes of voting and for contracting and other kinds of things. And at that time when that occurred it gave a lot of concern to educators and others alike about what were the ramifications. I think it is safe to say that subsequently in a court of law that many cases now are decided that there is kind of a point up to about 18 or whatever, and it varies by decree and by judgment in individual cases that that responsibility stops. Kind of an assumption that there is a point of emancipation.

So I don't believe that from the standpoint of the legal thing, beyond that when we are talking about postsecondary education that necessarily there is a legal basis per se. I think what it has been founded upon is, as many things in our society are, it is more of a set of principles. It is more of a moral judgment and kind of a set of standards, if you will, that generally are accepted by the norm that parents do have a responsibility of trying to rear and educate their children, and education is certainly a very important part of that. At the same time, I think we have to be mindful that while we have these expectations and we have generally tried to deal with that through our definitions that there are also other individuals in society for a variety of reasons that do not have that support system. They are alienated as you said. In some cases they have been cast out of the home, there are cases of where children are abused, and for a variety of other kinds of things. There are cases where parents have their own problems whether it is drugs or khol or whatever that may not be able to provide them the opportunity to take care of that child. And that child should not suffer necessarily, in my opinion, in terms of education simply because of the unhealthy environment that they find themselves in.

For that reason, I think we feel that clearly we want to continue with the fundamental tenets that parents do have the primary responsibility, but we also are concerned about a definition that will certainly take care of those situations or exceptions that are appropriate. We share your concern about people that may abuse the system. We don't believe there is a lot of those. In the second panel today I have some data about that in terms of percentages that I think will be helpful on that subject.

Mr. **Jeffords**. Yes. I would point out that The College Board testimony will show that in the age group 22 and under that the number who qualify for Pell grants has doubled in the past 10 years, whereas the student population has gone up only 10 percent. It would be interesting to see why that has occurred. It would be difficult for me to understand why that has occurred unless there is a greater utilization of the independent category by those who previously did not believe they were independent or would not qualify as independents without using the loopholes.

I agree with what you have said. what I hate to see is how we take advantage of the all-American family who is willing to live up to their obligations. But what about those who do not live up to the normal expectations of society. We can do nothing to make them live up to those obligations. We have no enforcement authority and we just say, well, if you want to cheat, go ahead; here is the money. That is a bad system, and I am hopeful that we can find some way, through rewards or incentives, to allow a tax advantage to savings or whatever, to help the all-American family out. It seems to me, it is a bad system that does not enforce the obligations which are being required of those that are willing to assume that obligation.

Mr. **Keppel**. Mr. Jeffords, let me just say, as you pointed out, with the current three-part definition the period of time, the 6 weeks at home, $750 support, those are virtually elements that most financial aid administrators would tell you that you cannot really verify with any accuracy at all. The third part of the criteria, which is whether or not you have been claimed on your parents income tax return as an exemption, yes, you can obtain a copy of a—a certified copy even if you want of the income tax return to find out whether that has been done. A few families—as you point out, some people have gotten clever about that—may decide that, well, it is worth me to not claim Johnny or Susie on my income tax return so that I, even with my increased tax liability I can go ahead and maybe they will get more financial aid by making them independent. That may be a weakness with the current definition. I think we are concerned about that.

I think many of the proposals that are before this committee with some of the alternate definitions would attempt to try and address that. I happen to believe strongly that you will find, and I think the data supports it, that most families are very, very honest and diligent in filling out these forms and they do not lie on them. There is penalty for that if they are discovered. I think there are a few, and it is unfortunate that those few are the ones that I think cause the problems for others. The data seems to suggest pretty much that if you look at the age cohorts that the real reason that we have seen a lot of the increase in the truly independent student, and I think they truly are, is because of kind of the baby boom generation going through and getting older and the percentages of students above 22 that are now enrolled.

You know some of the data from the Department of Education, for an example, they talked about the tremendous increase in independent students in the Pell Grant Program between 1973–74 up to 1976–77. It was based on the fact that we started the Pell Grant Program with freshmen, the first-year students, and it took us 4 years to finally bring the whole cohort in, which finally made them older. By the very nature of that, those individuals, we are going to have more older independent students.

If you look at data, Mr. Jeffords, and I know that you recall that we presented before this subcommittee when we were testifying on the nontraditional students that of students that are under age 25 they comprise 3.15 percent less of total enrollments in 1982 than they did in 1974. That means 6.3 million fewer students are in that lower group. What this says is that there is a real aging going on in our process of all undergraduate students. And I think some of the other data that we have in our tables and all will prove that.

I share your concern, but——

Mr. **Jeffords**. Of course, that also goes under the presumption that at some age there is no family obligation to support. That is why I think that we ought to make it clear. If the aging population does not necessarily mean that the parents of all of those aging children have become destitute in the meantime, they might have if they paid for some of the education themselves. I think that we should establish definitely what the guidelines are and really make it clear that at a certain age level there is no further expectation and that below that age there is not only an expectation but hopefully a legal obligation such that we can really have an equitable situation which everybody can live under and live by.

Mr. **Martin**. I think that is both what the coalition and we are proposing.

Mr. **Jeffords**. Thank you.

Mr. **Ford**. We need the same clerks that the Supreme Court use that decided the trimester system for when an abortion was and was not permissible because they knew what they wanted to do. And we know what we want to do but we can't find a legal precedent or a scientific precedent for doing it, so we have to do something that they didn't. We have to become arbitrary. And if we adopt an age of 22 or 23 or 21 or 18, we will do it for arbitrary reasons, just as we reduced the age to 18 after 600 years of an arbitrary age of 21 that had to do with buying armor for grown up rich kids in the old days.

I suspect that the point at which a family's support dries up has more to do with economic circumstances of that family. Is this the oldest of 10 children? Or as contrasted with the youngest of 10 children? Are the parents at a stage where they are still raising other children and have current expenses, or are they older, well-established and have independent incomes? That probably has more to do with how much actual help there is, and what we haven't been able to do in the past is get down to giving the financial aid administrators the authority to actually look at a person and ask intelligent questions and make a judgment as to whether they indeed had family support.

A former Secretary of HEW sat where you are sitting, Mr. Keppel, talking about this same issue before reauthorization the last time, and then said that he was willing to pay for his children to go to school anyplace they wanted to, as long as it was Holy Cross. That stuck with me because, you know, by my definition that is an independent student. What about the kid who wants to study music and his father wants him to be an architect or an engineer? What about the kid who wants to study music and his father wants him to be a lawyer because he is a lawyer and his grandfather was a lawyer? I went to law school with one of those. The most unhappiest student in my class. If they don't follow the patriarch's wish, they are on their own, and we lose that talent as a country.

Now we don't have so far as I know any place in the common law, and by statutory law either, in any of the States any general requirement for support of any kind for a child after they reach adult status except for those special laws that have been passed for people who become wards of the State in some way. If they end up in a State institution, the State can assess costs against even siblings as well as parents. But that is a very special sort of circumstance for a very special purpose, to get money for the State, and it has been upheld.

A few months ago there was a decision someplace out West involving a young woman whose father had been paying for her education and support until her 18th birthday and cut it off at that point, saying now you are grown up. She sued him on the ground that he knew she was going to college, and he knew that she intended to go to college, and he was still her father even though divorced from her mother, and that he had an obligation. And the court said no, we can find no place in the law an obligation of a parent to pay for higher education. Higher education has never been determined by the courts to be a necessity. You can make a parent responsible for providing necessities, but while we think—the people in this room—that higher education is a necessity, the law has never reached that stage.

There is no State, for example, that any longer—California was the last that did—that gives its citizens the absolute right to free public education beyond the 12th grade. California went through the 14th grade until 1967. A new administration out there taught them what tuition was. They were the last one. So not even that so-called progressive State does it.

We can't really get any help from the outside. From the beginning we have made I think what Dallas has described accurately, a kind of an assumption that in our version of what the world ought to be like—not what it is—what it ought to be like that there is a reasonable expectation that families will be supportive of members of the family trying to go to school. It is a very imperfect system, but in the absence of anything better it hasn't worked all that badly.

And I think we could go crazy trying to write regulations that would in any way anticipate finite measurement of what a family contribution really ought to be. That is why we have an arbitrary tax in the Pell grant formula. That never has made any sense to anybody. Why do you have this level of tax and that level of tax? And you are talking about people, and you are talking about a tax rate that exceeds the Federal income tax rate for the kind of people that are in that wage category. But it was an arbitrary way to ration out the money amongst a presumed needy group of people, and we will probably have to end up with something just about as imperfect as it has been in the past.

I have pondered this over and over, Jim, and I just don't know how to refine these things without getting ourselves in all kinds of trouble.

Mr. Coleman.

Mr. **Coleman**. Mr. Chairman, I was not here to hear the testimony, but I have it and I will review it. I thank the witnesses for being here.

Mr. **Ford**. Mr. Coleman has raised questions, and other members of the committee, about the independent student from the very beginning. And I am happy that your organization, Dallas, and ACE and others have come up with so much very specific in the way of recommendations for us to consider. The committee does have before it some rather specific recommendations that, as Mr. Keppel said, can fairly be characterized as tightening up the whole process.

I would leave you with one other thing, however, and we can't lose sight of it. In 1981, the administration was convinced that the student aid programs were rife with fraud and abuse, and one of them was that independent students were declaring themselves independent and ripping off the system. The Department spent 50 man-years of work on a project to find fraud and abuse in 1 year. And at the end of that year, Paul Simon called a hearing. We asked him to play out for us, if you will, the first 50,000 or 60,000 cases of fraud you found? And they laid out about 23 from all of the programs and most of the 23 were a group of Nigerian students illegally receiving I think Pell grants at a Rhode Island college. I don't know how they sneaked into Rhode Island in the first place. But there was not a single case that they documented of a fraudulent use of dependency for the purpose of enhancing the size of your grant or award. And that is a detailed, specific, determined effort made by people who started on the mission knowing that they were going to find it. And that leaves me to believe that we are still today being unduly influenced by people's hunches that this is going on in a wholesale fashion.

We made a lot of noise and I trust that the student aid forms do carry the warning that we changed the statute a few years ago and said, if you get more than 200 bucks by lying on your application, that is a felony. That is pretty serious. Now we asked the Secretary when he was in, when he made the statement that there was a lot of fraud and abuse: how many cases have you sent to the Justice Department for prosecution, you or your predecessors? He, unfortunately, got confused and said 15,000 were sent up 2 weeks ago. What had been sent up 2 weeks ago was 15,000 student loans in default that were sent over there so they would write a collection letter. We got that straightened out we think, except that he did not change his mind. That even though they hadn't sent anybody to the Justice Department there were a lot of them out there. Now I believe since he was here in March there have been about three or four referred to the Justice Department, and maybe what we did was trigger a crackdown.

But in any event, those cases clearly will get some publicity. That clearly will make it clear to families and students that you are taking a chance on your entire future or whether you are going to have a future by fiddling around with this. This is a Government crime that you are about to commit. They don't, as a general rule, cheat on their income tax because Al Capone got in trouble; and if Al Capone could come a cropper, everybody knows that the rest of us are weak and frail by comparison. Now we have to have an Al Capone I suppose who gets away with everything else, not get away with fraud of the student loan, and then we will have the same kind of compliance.

Thank you very much for your help to the committee.

Mr. **FORD**. The second panel is Britta Anderson, director of federal affairs, research and planning, Vermont Student Assistance Corp.; Dr. Dallas Martin will stay at the table, I take it; and Mr. Lawrence Gladieux, executive director of the Washington office, The College Board; Thomas Breyer, manager, special student aid projects, Illinois State Scholarship Commission.

Mr. **JEFFORDS**. Mr. Chairman?

Mr. **FORD**. Yes, Mr. Jeffords?

Mr. **JEFFORDS**. I wonder if it would be possible if Mr. Otto Reyer, the financial aid director of the University of California, could also come up to this panel?

Mr. **FORD**. Certainly.

Where is Otto? He was supposed to have been on the list, as I understand it, Jim, and he slipped through the cracks.

Mr. **JEFFORDS**. As long as he is here, Mr. Chairman, that is all that matters. I appreciate very much your coming.

Mr. **FORD**. Without objection, the prepared statements submitted by the witnesses will be inserted in full in the record.

And you may start first, Britta Anderson.

STATEMENT OF BRITTA ANDERSON, DIRECTOR, FEDERAL AFFAIRS, RESEARCH AND PLANNING, VERMONT STUDENT ASSISTANCE CORP.

Ms. **ANDERSON**. Mr. Chairman and members of the subcommittee, I am Britta Anderson. I am director of Federal affairs at the Vermont Student Assistance Corp. It is a great pleasure to appear before you today to discuss the issue of the definition of self-supporting student status for Federal student aid purposes.

As Mr. Jeffords indicated earlier and as members of the prior panel have also indicated, we are dealing in a sense with an issue that amounts to a Gordian knot. And much as we would like to be able to present a clear-cut solution to this problem, I am afraid I cannot promise any such great juggling on our part.

We are all aware that the number of students who do claim to be self-supporting has increased rapidly over the past decade. In fact, today it is estimated that approximately one-half of Pell grant applicants claim that they are no longer dependent on their parents. Taken into context, this figure is certainly startling in its implication. As we have discussed earlier today, or we have heard I should say, the basic premise that has been guiding student financial assistance programs is that the family has the primary responsibility for paying for the cost of a postsecondary education. Thus, the fact that so many students are, in effect, separating themselves from their families poses a substantial dilemma for policymakers who wish to assure access, but who also wish to make sure that Federal funds are targeted to students who have the greatest financial need.

As mentioned earlier, the Federal definition that is currently in use posits that if a student has been away from the parental fold for roughly 1 year and has not been receiving any substantial monetary support from that family and hasn't been claimed for Federal income tax purposes, then that student is independent. These criteria, to bring things into perspective, have come under repeated attack by the administration, concerned student aid officials, Members of Congress, and others who feel that the 1-year retrospection is insufficient to determine true financial independence.

The argument has been made that it is too easy for students to deliberately sever themselves from their families to meet the definitions. Numerous suggestions to alleviate the problem have surfaced over the years ranging from mandating dependence for all students under age 22, as we heard earlier, to requiring students to factually demonstrate financial self-sufficiency. I am here today to outline the criteria established in Vermont for self-supporting status and to discuss briefly the projected savings that would ensue in the Pell Grant Program should Vermont's definition be adopted on a nationwide basis.

By way of introduction to our criteria, let me briefly outline that the State of Vermont has adopted as a basic approach to funding higher education an emphasis on direct student aid, rather than institutional appropriations. This approach was fostered by the fact that in a State with scarce resources the emphasis should be on funding truly needy students rather than rich and poor alike as is the case when funds are appropriated directly to public institutions for tuition subsidies. As a result of this basic approach, we have one of the largest per capita grant programs in the country, second only to New York State. The size of the State's commitment coupled with traditional New England frugality has led to the adoption of a self-supporting student definition more restrictive than the Federal one.

Very simply put, Vermont has adopted a 2-year retrospective examination, rather than the 1-year current Federal look back. Basically, we examine the same variables as the Federal programs do. In Vermont, the so-called tri-form model has as its basic component that a student must not be claimed by parents for income tax purposes for 2 years prior to year of application as well as the year of application, and must not have received more than $750 from their parents during the same time period. In addition, the student must not have lived with the parents for more than 6 weeks during each of those years and the year of application.

This approach has worked extremely well in Vermont. To digress a little bit, let me just mention that by the time students start to look into postsecondary education they are generally at the junior year in high school when they start firming up their plans. So, if you have a situation where you need a 2-year look-back, the information for those who purposely want to skirt the responsibility of providing for their children usually doesn't really start to surface until the senior year. I think that is a great part of the reason why the program or the definition has worked so well in Vermont.

The statistics of this approach working well in Vermont seem to bear out what I have just outlined. Currently, only 18 percent of our grant recipients are deemed independent, and this is a percentage which has remained stable over the last 3 or 4 years. I should add that we do ask for some substantial documentation to establish that a student is indeed self-supporting. Parents of students who apply as self-supporting are asked to fill out an affidavit of nonsupport which is subject to verification via their income tax returns.

In addition, we perform extensive personal counseling, have extensive personal contact with the students who apply and who claim that they are indeed independent.

Basically, our analyses show that of the 2,200 Vermont students who in 1984-85 qualified for self-supporting student status under the Federal definition roughly 220, or 10 percent, would have been considered dependent under VSAC's criteria. In fact, they were considered so. In terms of the dollar savings obtained in the Pell Grant Program were the Vermont definition adopted, we estimate that these 221 students would lose eligibility due to high parental contributions for approximately $310,000, or 5 percent, of Pell grants to Vermonters.

The national impact based on the Vermont data and a 1985-86 Pell grant appropriation of $3.5 million would amount to estimated savings in the program of approximately $175 million. Needless to say, our definition and documentation requirements go a long way toward explaining the potential savings outlined above. We feel that our policy, far from being punitive, establishes a fair indicator on which to base the determination as truly financially self-supporting.

Other proposals to tighten the definition might probably achieve equivalent savings. However, Vermont's definition is demonstrably workable. It has been in use for over 10 years. It is predicated on the students demonstrating that they are able to support themselves, and it leaves room for professional judgment of individual situations and cases where exceptional hardship exists. This flexibility is extremely important in programs where both personal and fiscal concerns must be taken into account. Overall, as I mentioned, this approach has worked well in Vermont and was recently incorporated in the reauthorization recommendations submitted to Congress by the Vermont Higher Education Council at the hearings in Vermont earlier this year.

It has been a pleasure to have the opportunity to appear before you to discuss this very important issue, and I will be pleased to answer any questions you may have.

Mr. Ford. Thank you.

[Prepared statement of Britta J. Anderson follows:]

PREPARED STATEMENT OF BRITTA J. ANDERSON, DIRECTOR, FEDERAL AFFAIRS, RESEARCH AND PLANNING VERMONT STUDENT ASSISTANCE CORPORATION

Mr. Chairman and members of the Subcommittee, I am Britta Anderson, Director of Federal Affairs, Vermont Student Assistance Corporation. It is a great pleasure to appear before you today to discuss the issue of the definition of self-supporting student status for federal student aid purposes.

The criteria for determining financial independence have been a source of troublesome concern for legislators and administrators as the number of students who claim to be self-supporting has increased rapidly over the past decade. Today, it is estimated that no less than one-half of Pell Grant applicants claim they are financially severed from their parents, a figure that certainly is startling in its implications. The basic premise guiding student financial assistance programs is that the family has the primary responsibility for paying for the cost of a postsecondary education. Thus the fact that so many students are, in a sense, separating themselves from their families poses a substantial dilemma for policymakers who wish to assure access, but who also wish to make sure that federal funds are targeted to students with true financial need.

The current federal definition posits that if a student has been away from the parental fold for the greater part of one year prior to the year of application and has not been receiving any substantial monetary support from the family, then that student is deemed independent. These criteria have come under repeated attack by the Administration and concerned student aid officials who feel that a one year retrospection is insufficient to determine true financial independence. The argument has been made that it is too easy for students to deliberately separate themselves from their families to meet the definition.

Numerous suggestions to alleviate the problem have surfaced over the years ranging from mandating dependence for all students under age 22 to requiring students to factually demonstrate financial self-sufficiency.

I am here today to outline the criteria established in Vermont for self-supporting status and to discuss briefly the projected savings that would ensue in the Pell Grant program should Vermont's definition be adopted on a nationwide basis.

By way of introduction to our criteria let me briefly outline that the State of Vermont has adopted, as a basic approach to funding higher education, an emphasis on direct student aid rather than institutional appropriations. This approach was fostered by the fact that in a state with scarce resources the emphasis should be on funding truly needy students rather than the rich and poor alike, as is the case when funds are appropriated directly to public institutions for tuition subsidies.

As a result of this basic approach we have one of the largest per-capita grant programs in the country, second only to New York. The size of the state's commitment coupled with traditional New England frugality has led to the adoption of a self-supporting student definition more restrictive than the federal one.

Very simply put, Vermont has adopted a two-year retrospective examination, rather than the one-year look-back, with basically the same variables being scrutinized as those embodied in the federal definition. In Vermont this so-called triform model has as its basic components that a student

. must not have been claimed by parents for income tax purposes for two years prior to year of application as well as the year of application;

- must not have received more than $750 from parents for the same time period; and
- must not have lived with the parents for more than 6 weeks during each of those two years and the year of application.

This approach has worked extremely well in Vermont. Currently only 18% of our grant recipients are deemed independent, a percentage which has remained relatively stable over the past years.

DEPENDENCY STATUS OF VSAC GRANT RECIPIENTS
FULL-TIME STUDENTS
FY 1982 - FY 1984

Fiscal Year	Dependents		Self-Supporting		All Awards	
	Count	Percent	Count	Percent	Count	Percent
1982	6,234	82.9%	1,283	17.1%	7,517	100.0%
1983	6,327	82.8%	1,314	17.2%	7,641	100.0%
1984	6,544	82.6%	1,375	17.4%	7,919	100.0%

Source: VSAC Grant Files

I should add, at this point, that the documentation necessary to establish self-supporting status is quite exhaustive (Exhibits 1 & 2). Parents of students who apply as self-supporting are required to complete a notarized affidavit of non-support which is subject to verification via examination of income tax returns. In addition our counselors have extensive personal follow-up contact with both parents and students.

Our analysis shows that of the 2,206 Vermont students who in 1984-85 qualified for self-supporting status under the Federal definition, 221 (10%) were considered dependent under VSAC's criteria. In terms of dollar savings obtained in the Pell Grant Program were the Vermont definition adopted, we estimate that these 221 students would lose eligibility for $309,379 or 4.9% of Pell Grants to Vermonters. The national impact, based on the Vermont data and an 85-86 Pell Grant appropriation of $3.575 billion, would amount to estimated savings in the program of $175.2 million.

Needless to say, our definition and documentation requirements go a long way towards explaining the potential savings outlined above. We feel that our policy, far from being punitive, establishes a fair indicator on which to base the determination that a student is truly financially self-supporting.

Other proposals to tighten the definition of self-supporting student status might probably achieve equivalent savings. However, Vermont's definition is demonstrably workable - it has been in use for over 10 years. It is predicated on the students demonstrating that they are able to support themselves. And it leaves room for professional judgment of individual situations in cases where exceptional hardship exists. This flexibility is extremely important in programs where both personal and fiscal concerns must be taken into account.

Overall, this approach has worked well in Vermont and was recently incorporated in Reauthorization recommendations submitted to Congress by the Vermont Higher Education Council at the hearings in Vermont earlier this year.

It has been a pleasure to have the opportunity to appear before you to discuss this important issue. I'll be pleased to answer any questions you may have.

EXHIBIT 1

VSAC

PARENTS' STATEMENT OF FINANCIAL SUPPORT

To be completed by the parents of:

______________________________ Applicant

______________________________ Social Security Number

*Please note: If you are a ward of the State of Vermont, you are not required to have this form completed. Return it to VSAC with a brief note explaining that you are a ward of the state.

SECTION A: STATEMENT OF PARENTAL SUPPORT

(Check an answer to each question for all three years; 1983, 1984, and 1985.)

	1983	1984	1985
1. Did or will the parents claim the applicant as a U.S. tax exemption for:	___Yes ___No	___Yes ___No	___Yes ___No
2. Did or will the applicant receive more than $750 from parents during:	___Yes ___No	___Yes ___No	___Yes ___No
3. Did or will the applicant live with the parents during:	___Yes ___No	___Yes ___No	___Yes ___No

If you answer "yes" to #3, specify dates during which applicant lived with you: ______________

____.

If so, did the applicant pay for room and board? ______. If so, indicate monthly amount:

$______________________. Do you rent on a regular basis the apartment/room where the

applicant lives/lived? ____.

If you answered "yes" to any questions in Section A, please complete Sections B, C, and D and return this worksheet along with a copy of your 1984 Federal Income Tax Return to our office.

SECTION B: PARENTS'S INCOME AND GENERAL INFORMATION

1. Attach a copy of your 1984 Federal Income Tax Return to this worksheet.
2. Write in the amount of 1984 income earned from work by mother. $____________

   by father. $____________
3. List total non-taxable income received in 1984 (welfare, child support, unemployment compensation, social security, etc.) $____________
4. List total medical/dental expenses not covered by insurance paid in 1984. $____________
5. Enter amount of child support paid in 1984. $____________
6. Estimate total amount of income to be received in 1985; Taxable $____________

   Non-taxable $____________
7. Age of older parent. ____________
8. Enter total number of people for whom parents will provide more than half support between July 1, 1985 and June 30, 1986. (Include here parents, children, and other dependents. Do not include applicant here.) ____________
9. Of the children living with you, how many will attend college at least half-time during the 1985-86 school year? (Please do not include the applicant here.) ____________

(over)

SECTION C: PARENTS' ASSETS

1. Current savings, checking account, cash on hand. $__________

2. Present resale value of parents' home. $__________

   MINUS current unpaid mortgage. (-) $__________

3. Present resale value of farm or business. $__________

   MINUS outstanding debts of farm or business. (-) $__________

4. Present resale value of other real estate (excluding home, farm, business). $__________

   MINUS outstanding debts of other real estate. (-) $__________

5. Total present value of investments; including stocks, bonds, certificates of deposit, and other securities. $__________

   MINUS outstanding debts of investments. (-) $__________

SECTION D:

The undersigned certify that the information contained on this form, or any other submission in connection with this application for a Vermont Grant, is correct and complete to the best of their knowledge. We understand that the information submitted will be held in strict confidence. We hereby authorize Vermont Student Assistance Corporation (VSAC) to obtain from the appropriate authorities copies of our U.S. or Vermont State Tax Returns, or any information contained in such returns that they may deem necessary. We also authorize VSAC and the colleges, universities, or any other institute of study to which the applicant has sought admission or is enrolled or any other organization from which the applicant has sou financial aid, to exchange and share any information that we have provided in our financial aid application(s), need analysis, tax forms, or any financial aid (Grants, Scholarships, Loans, Work, Stipends, etc.) awarded to the applicant. Also, we agree to promptly refund and repay to Vermont Student Assistance Corporation all, or a portion, of any funds awarded the applicant which the Corporation determines was based upon incorrect information supplied on this application.

____________________ Signature of Father

____________________ Signature of Mother

__________ Social Security Number ________ Date

__________ Social Security Number ________ Date

____________________ Home Phone Number

____________________ Work Phone Number

Parents' Address: ______________________________
Street City State Zip Code

Subscribed before me on this ________ day of ________________, 19 ________

Notary Public ____________________ County of ________________

My commission expires on ____________________ State of ________________

EXHIBIT 2

VERMONT
STUDENT ASSISTANCE CORPORATION
CHAMPLAIN MILL • P.O. BOX 2000
WINOOSKI, VERMONT 05404
802/655-9602

Executive Director
Ronald J. Iverson

BOARD OF DIRECTORS
Chairman
Hilton A. Wick

[illegible]
Philip H. Johnson
Richard W. Mallary
H. Donald McCafferty
Richard McDowell
James M. Pollock

We have received your Family Financial Statement which indicates that you are applying as a self-supporting student. In order for us to determine whether or not you meet our self-supporting student criteria, it will be necessary for your parents to complete the enclosed Parent's Statement of Financial Support. Also, it will be necessary for you to send us a copy of your completed 1983 Federal 1040 or 1040A Income Tax Return. If you were in college in 1983 and received wages through the College Work-Study Program, please indicate below what part of your total income was earned through the Work-Study Program.* Please return this form to VSAC with your tax return and the completed Parents' Statement of Financial Support.

Since we cannot review your application without the above information, please send it to our office within 21 days. If we do not receive it within that time, your Incentive Grant application will be withdrawn.

Please feel free to call if you have any questions or if we can be of any further assistance. Our toll-free number within Vermont is 1-800-642-3177. In the Burlington area the number is 655-9602.

Sincerely,

Incentive Grant Specialist
Incentive Grant Program

*Applicant's 1983 Work-Study earnings ____________
Spouse's 1983 Work-Study earnings ____________

Enclosure

Mr. FORD. Mr. Gladieux.

STATEMENT OF LAWRENCE GLADIEUX, EXECUTIVE DIRECTOR OF THE WASHINGTON OFFICE, THE COLLEGE BOARD

Mr. GLADIEUX. Thank you, Mr. Chairman. My name is Larry Gladieux, executive director of the Washington Office of the College Board.

The independent student definition, Mr. Chairman, in my view is the linchpin of the entire system of need-based student financial aid. I believe there is a compelling case for change. I think it is overdue. My testimony presents a suggested formula along age lines for your consideration. No definition, Mr. Chairman, as you point out, is going to be perfect, but Congress I think can do much better than the one that is in place at the present time.

Mr. Chairman, in the 1980's, as my testimony points out, shifting patterns of college attendance as well as widespread change in household and family structures have complicated the traditional assumptions of the student aid system that date back to the 1950's, and they have, perhaps, blurred the lines of parental obligation in college finance. But I do not believe that these contemporary shifts I have noted on page 2 of my testimony invalidate the central operating principle of need-based student aid. The question I think remains, and it has been stated in several ways by Mr. Jeffords, Mr. Keppel, and others already this morning: At what point or under what circumstances should parents be viewed as having no further responsibility for their offspring's education. I believe public policy on this point needs to be very carefully crafted, especially in an era of tight budgets, when it is so important to maximize the use of every student aid dollar and when we need to get support to those who need it most.

When students whose parents could reasonably be expected to help pay college costs are able to declare themselves self-supporting for financial aid purposes, public subsidies, in effect, replace parental support and less money is available for legitimately needy dependent and independent students. Now, I don't believe you have to accept allegations of gross abuse. I don't think you have to believe that everybody is ripping off the system to conclude that the prevailing test of independent status does not serve well. On its face the definition is flawed. At best it is awkward for many students and families trying to understand and cope with the rules. At worst it invites circumvention on the part of those perhaps relative few who may be inclined to take advantage of the system.

Now, Mr. Martin has already pointed out that two parts of the current three-part definition are difficult to verify. And they are difficult often to answer in the first place on the part of students and their families. Family records of such things as support during the year from the parents and residence not exceeding 6 weeks are likely to be spotty and memory may not serve. In-kind support is especially elusive and easily overlooked. A student before this committee a couple of weeks ago in a hearing testified that many students believe they can lie with limited consequence on such questions.

Mr. Martin has also spoken to the income tax criterion as the third part of the definition, and families that wish to can arrange their affairs to give up the tax exemption and perhaps allow the student to qualify more for student aid. It is not in my testimony, Mr. Chairman, but I was struck by results of a survey of independent students presented earlier this week at the NASFAA convention that was held here in town. It was based on a sample of 2,000 independent students drawn from CSS and ACT applicant files, and it said that 10 percent of that sample of independent students said that they indicated in the survey that they had decided along with their parents not to be claimed on the parents' tax return so the student could get student aid without reference to the parents' finances. Now, that was a confidential survey, and 10 percent of the independent students avowed that they had done that.

Now, I don't think we need to make a moral judgment about that kind of behavior by individuals. It is kind of like tax shelters, perhaps. It is all perfectly legal, it is just the policy in my view is flawed.

The quality control study has been mentioned already by the Department of Education. I and many others have objected to some of the methodology and the allegations about fraud and abuse growing out of that study. But I think it is significant that that study concluded that the largest single source of student error is due to students whose reported dependency status was not the same as their verified dependency status.

I don't think there is any available national data, Mr. Chairman, that is going to ascertain for us finally what degree the programs are being abused because of the self-supporting criteria. But I think the available data do raise questions. On page 6 of my testimony I present data on the Pell Grant Program eligible applicants, and as Mr. Jeffords noted and it has widely been reported, the percentage of Pell grant eligible applicants who are independent under the current criteria has exceeded 50 percent. It did last year. That is up from 36 percent 6 or 7 years ago.

Now, what is significant is not that general increase, but the age distribution. And as Mr. Jeffords mentioned, the age group 22 and under has doubled during that period, while dependent student applicants under the program have only increased like 25 percent. The biggest jump is in the over 30 age category. The increased participation there I suspect is from displaced workers, women who are trying to start a new life and want to come back into education, other adults looking for help in career redirection and retraining. But what may be fueling that growth in the younger age groups, as a matter of speculation—I don't think you can draw firm conclusions, but I think that it all suggests that part of the problem is otherwise dependent students in that younger age bracket and perhaps their families arranging their affairs and taking advantage of the rules to qualify for more aid.

But I think, you know, the most compelling argument for change is maybe reflected in the first statement that was just made on this panel. The growing number of States and institutions that are simply not going to wait, have decided not to wait for the Federal policy to change and they have adopted stricter criteria of independence. On page 8 of my testimony I summarize the policies regarding dependency status of the 10 States with the largest undergraduate need-based grant programs in the country. Seven out of 10 of those States have adopted criteria that are different from the Federal. Several like California and Vermont have built off the Federal definition, extending it back a couple of years perhaps for consistency and not wanting to depart too far in terms of procedure in data collection from the Federal. Other States have adopted age criteria. Still others have adopted self-sufficiency tests where the students are asked to document how they, in fact, had the financial resources to live on their own during the past year.

I think it is interesting to note in the latest survey of the National Association of State Scholarship and Grant Programs that they attribute these tighter—they note the pattern in the grant programs where less money is going to independent students and in the Federal programs. And they suspect that this is a result of the tighter criteria that have been adopted by the various States.

Finally, Mr. Chairman, I think the professional opinion of campus aid administrators overwhelmingly supports a change in Federal policy. A joint survey by NASFAA and the College Scholarship Service last year indicated that 6 in 10 aid administrators do not believe the Federal definition is appropriate.

You have had a lot of recommendations, Mr. Chairman, for change in the definition and most tend to be along the lines of age. I agree with that. I think an age-based definition is more easily understood, straightforward, and it is verifiable. With proper exceptions I think it can be fair.

However, I do have reservations about the formula that has been proposed by the American Council on Education [ACE], the National Coalition for Student Aid and other groups. That proposal says that parental financial data shall not be required to determine the expected family contribution if the applicant is 22 years of age or older on July of the award year. Using age 22 as a kind of fulcrum in determining dependency status I think makes sense, and several States have decided to go that way. But I worry about the blanket emancipation of students over age 22. Many 22- to 25-year-olds can and do rely on parental support as they continue in school finishing their undergraduate degrees or going on to graduate studies. I am not persuaded that public policy should be to shift the cost burden from families who can pay in cases where the student is not yet established or self-supporting pattern. Two things I think the committee ought to keep in mind here. One is that many States and institutions, public and private institutions, are not likely to go along with that kind of blanket emancipation over age 22, so they might create a new inconsistency between Federal and non-Federal practice there.

Also, in terms of cost savings, if the subcommittee has in mind achieving some Federal cost savings as a result of a revised definition, the savings achieved by tightening below age 22 are likely to be at least offset by the added costs from expanded eligibility by opening up over age 22. And page 11, we present some data that we have culled from College Scholarship Service [CSS] files that shows that under this proposed definition, we estimated the magnitude of shifts between dependent and independent status, and a substantial number of students, 100,000, under age 22 and single without children who now qualify as independent would be shifted to dependent. So that would tighten up. But over age 22 a considerably larger number of students, 300,000 roughly, would switch in the other direction. These are CSS filers aged 22 and over who are dependent under current rules but would become independent under a definition that automatically emancipates students when they reach age 22.

The last page of my testimony, I present for discussion, for your consideration a suggested alternate formula that follows three age brackets. Under age 22 would be automatically dependent with the exceptions listed in the testimony—orphan, ward of the court, veteran, student has own dependents, or documentation by the financial aid officer in unusual circumstances, relying on the professional judgment in, say, cases where there is clearly alienation from the family or estrangement and the student simply cannot—the parental support is simply not there. Age 22 to 25 I suggest a rule that includes the tax, the current tax dependency rule—the student cannot be claimed as a tax dependent by parents or anyone else—plus proof of self-sufficiency. Like some States and institutions that ask, OK, they ask the student how did you support yourself last year if you say you were independent. There again you would have exceptions: veteran, student has own dependents, or documentation again by the aid officer. Over age 25, automatically independent. And I fully concede that that is arbitrary, but a number of institutions has selected over age 25 as the point where they simply won't ask for parental data or attempt to consider the student dependent.

I think such an approach would be simpler for great numbers of students on the two ends of the age spectrum. I think symbolically it would reinforce the traditional assumption that parents have responsibility through the years that normally span undergraduate education. And it may not be the right formula, Mr. Chairman, but I think it is time for a change, and I think there is a lot of consensus in the education community on the need for change in the general direction that it should take. I don't think we need to make huge judgments about the moral judgments, and I don't think we should wait for a definitive study on the extent of abuse. I think we need a definition with more face validity, and I think the reauthorization is an opportunity to bring it about.

We would like to help in any way we can to devise, help the subcommittee devise a simpler and fairer verifiable set of criteria. I hope this testimony helps, and I would be glad to answer questions.

[Prepared statement of Lawrence Gladieux follows:]

PREPARED STATEMENT OF LAWRENCE E. GLADIEUX, EXECUTIVE DIRECTOR, WASHINGTON OFFICE OF THE COLLEGE BOARD

Mr. Chairman and Members of the Subcommittee, I am Larry Gladieux, Executive Director of the Washington Office of the College Board. I thank you for the opportunity to testify on a central issue in the operation of programs under Title IV of the Higher Education Act: how to distinguish between students who are financially dependent on their parents and those who are self-supporting.

My organization, an association of 2,500 schools and colleges, has been engaged in the movement during the past quarter century to eliminate financial barriers to higher education through aid to students. Creation of the College Scholarship Service (CSS) as part of the College Board in 1954 formalized the principle and practice in the education community of awarding aid according to the financial need of students and their families. The College Board Washington Office conducts policy studies on student finance, including a 1983 report examining the effects of alternative definitions of self-supporting status.[1] My testimony will draw on the findings of that study as well as more recent CSS and other data.

A year and a half ago, at a similar hearing before this subcommittee, I urged an aged-based revision of the federal criteria for determining independence. I continue to believe that such a change is needed, in fact overdue. No definition will be perfect, but Congress can do better than the one now in place. The decision made on this issue will perhaps be as important as any that Congress makes during the upcoming reauthorization, because the policy regarding dependency status has so much to do with how the burden of college costs is shared among students, parents, and taxpayers.

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[1] Alan P. Wagner and Nancy Carlson, Financial Aid for Self-Supporting Students: Defining Independence, Washington Office of the College Board, 1983.

The Assumption of Parental Responsibility

The bedrock of the student aid system since the 1950s has been the assumption that parents have the primary obligation to pay for their children's higher education, with aid awarded to the student only after the parents have contributed to the extent of their financial ability. The corollary assumption is that the needs of students who are truly independent of their families should be judged without reference to parental resources.

Applying these assumptions in the 1980s is clouded by shifting patterns of college attendance as well as widespread change in household and family structures.

- The traditional, full-time student of college age is becoming less typical of the postsecondary population. Many young people are stretching out their education, enrolling part-time, or alternating periods of work and education. More adults are returning to higher education for a second chance or retraining and mid-career change. No one argues that the parental obligation lasts indefinitely; where to draw the line is the question.
- Also blurring the lines of parental obligation has been the increasing rate of divorce, remarriage, and broken as well as blended families. In many cases the resulting financial and emotional distance between children and one or more of their natural parents may weaken the traditional sense of responsibility on the part of the older generation to help finance the educational costs of the younger generation. Family ties seem to have become more tenuous, estrangement and earlier emancipation of young people perhaps more common.

Whatever the extent of such contemporary shifts, my own view is that we need to do all that is possible to reinforce the traditional parental role in college finance. The trends noted above complicate but do not invalidate the central operating principle of need-based student aid. The question remains: At what point or under what circumstances should parents be viewed as having no further responsibility for their offspring's education?

Public policy on this point needs to be carefully calibrated, especially in an era of tight budgets when it is so important to maximize the use of every student aid dollar and channel available support to those who need it most. Trade-offs are more sharply drawn when there is less money to go around. When students whose parents could reasonably be expected to help pay college costs are able to declare themselves self-supporting for financial aid purposes, public subsidies in effect replace parental support and less money is available for legitimately needy, dependent AND independent students.

Flaws in the Federal Definition

One does not have to accept allegations of rampant abuse to conclude that the prevailing test of independent status does not serve well.

On its face the definition is flawed. At best it is awkward for many students and families trying to understand and cope with the rules; at worst, it invites circumvention on the part of those inclined to take advantage of the system.

The federal definition, which looks much the same today as when it evolved over a decade ago, has three parts: (1) a residence rule (may not have lived with parent or guardian for more than six weeks per year); (2) a financial support rule (must not have received more than $750 in a year from parents or guardians); and (3) a tax dependency rule (may not have been claimed as a dependent by parent or guardian for federal income tax purposes). All three questions must be answered for the calendar year in which the application is submitted and for the prior year. The first two parts of the test, financial support and residence, are often difficult to answer and difficult to verify.

family records of such things are likely to be spotty, and memory may not serve. In-kind support is especially elusive and easily overlooked. As a student from Eastern Kentucky University testified before this subcommittee earlier this month, many students believe they "can lie with limited consequence" on such questions.

As for the income tax criterion, families that choose to do so can give up the exemption for the otherwise dependent student member, and in most cases the greater tax liability will be more than offset by the student's increased eligibility for student aid on a self-supporting basis. And families that have not planned ahead in this way can file amended tax returns after the fact to capture the same calculated benefits. So while the third part of the test is verifiable (through collection of signed copies of the federal income tax form from the parents), aid administrators report that the rule is manipulated by some students and families.

It is worth noting that the most recent "Quality Control" study of the Pell Grant program commissioned by the Department of Education concluded that the "largest single source of student error is due to students whose reported dependency status was not the same as their verified dependency status."[2] While I (and many others) have questioned the methodology and assertions about fraud and abuse growing out of the so-called QC studies by the Administration, I suspect that the findings regarding the high error rate associated with the dependency questions on the application form are not far off the mark. I also suspect that at least some of the error is a function of inadvertence or misunderstanding on the part of applicants, rather than manipulation or outright falsification of answers.

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[2] Quality in the Pell Grant Delivery System, Office of Student Financial Assistance, U.S. Department of Education, 1984.

What the Data Tell us About the Growing Number of Students Classified as Independent

No available national data can ascertain to what degree the current definition of independent status is being circumvented contrary to the spirit and/or the letter of federal policy, but we can draw inferences from data on trends in the number and characteristics of students classified as self-supporting.

Our 1983 study concluded that the largest source of growth in the number of such students is the increased enrollment of older individuals, most of whom unquestionably are on their own financially. The increasing average age of the postsecondary population means that the number of legitimately self-supporting students is likely to rise whether or not the definition is tightened. The study, however, also indicated significant growth in the numbers of younger (under age 22) unmarried students (with no dependents) who qualified as self-supporting.

Specific data on the Pell Grant program reflect the same pattern along age lines. Overall, independent students have increased from 36.9 percent of eligible applicants in 1976-77 to 50.4 percent in 1983-84. Independent students over age 30 increased the most, tripling during those years, but younger independent students have also burgeoned in the Pell program. The number of independent Pell Grant eligible applicants age 22 and under doubled between 1976-77 and 1983-84, as did independent eligibles between ages 23 and 30. During the same period dependent eligible applicants increased less than 25 percent.[3] (See accompanying table.)

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[3] Data from Office of Student Financial Assistance, U.S. Department of Education.

PELL GRANT PROGRAM ELIGIBLE APPLICANTS

(in Thousands)

	1976-77	1983-84
Total Eligibles	2,258	3,541
Dependent	1,425 (63.1%)	1,755 (49.6%)
Independent	833 (36.9%)	1,786 (50.4%)
Age Distribution of Independent Eligibles		
22 Years and Under	267	509
23-30 Years	399	800
Over 30 Years	167	477

The increased participation in the over 30 group is no doubt coming in part from displaced workers, women, and other adults looking for help in career redirection and retraining. What may be fueling the growth of Pell Grant independent applicants in the younger age group is more a matter of speculation.

State data are likewise suggestive. Studies in California, Pennsylvania, and Minnesota tracing students over several years show that 15 to 25 percent of independent student recipients qualified as "dependent" as recently as two years previously.

One cannot draw firm conclusions from such data about the extent of abuse or inappropriate classification of students as a result of the self-supporting criteria. What all these analyses do suggest, however, is that a part of the problem may be the result of otherwise dependent students in younger age groups--and perhaps their families--making calculated arrangements to qualify as self-supporting for purposes of student aid.

States and Institutions Are Voting With Their Feet

A growing number of states and institutions, unwilling to wait for a change in federal policy, have adopted stricter criteria for independence in awarding their own student aid funds. There is a compelling case for revision of federal criteria simply in the interest of consistency. No one--certainly not students--will gain by the proliferation of 50 different state definitions as well as institutional variations. Continued movement in this direction will only complicate student aid application forms and the coordination of federal, state, and campus-based programs.

Of the ten states operating the largest need-based state scholarship programs in the country, seven now require or plan a tighter test of independence than the federal definition. (See table on next page.) Several states, including California, continue to use the federal definition but have tightened it by asking students to demonstrate independence for three or two years (rather than just one) prior to the year of the award. Some states have added an age criterion to the current definition; New York, Indiana, and Minnesota, for example, require that all students under age 22, with specified exceptions, apply as dependent students. Still other states (and some institutions) require proof of self-sufficiency; that is, students must document that they in fact have had the financial resources to support themselves in households separate from their parents.

The latest survey of the National Association of State Scholarship and Grant Programs notes:

> . . . Many financial aid policy makers have expressed concern that increasing numbers of students are declaring themselves independent of parental support for financial aid purposes and thus replacing parental support with aid from public sources. While there may be a trend in this direction in the Pell Grant program or the federal campus-based aid programs, it does not appear in the state grant program data. The percentages of independent students receiving need-based state grant aid have remained quite constant, from 29.3 percent in 1981, to 26.5 percent in

INDEPENDENT STUDENT ELIGIBILITY CRITERIA

SELECTED STATES,* 1984-85

State	Est. Total Undergraduate Need-Based Grant Aid (in millions)	Federal Criteria or Other
California	$101	Other--like federal, but independence must be demonstrated for 3 prior years plus current year.
Illinois	111	Federal
Indiana	33	Other--Student must have attained age 22 by Jan. 1 of academic year; limited exceptions.
Massachusetts	39	Federal (except for Graduate Student Grant program, determined by school.)
Michigan	34	Federal
Minnesota	51	Other--Starting 1985-86, student must attain age 22 by Oct. 1 of academic year; limited exceptions. Over 22 must meet current federal criteria.
New Jersey	57	Other--at least $1400 of base-year resources; not a tax exemption on parents' returns; did not live with parents more than 6 weeks.
New York	385	Other--like federal except tax dependency is asked for 2 previous years, and student under 22 must prove extraordinary circumstances.
Ohio	45	Other--three-part federal definition applied to previous, current, and following year.
Pennsylvania	91	Other--veteran, or out of high school 6 years or more, or demonstrate independence through non-support from parents and "available resource" test.

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*The top ten states in amount of undergraduate need-based aid dollars, 1984-85.

Source: National Association of State Scholarship and Grant Programs, 16th Annual Survey Report, 1984-85 Academic Year.

> 1982, to 29.2 percent in 1983, to this year's expected 29.4 percent. Between 1981 and 1984 the percentages of grant dollars going to independent students decreased slightly, from 28.8 percent to 28.6 percent . . . The fact that some states recently have adopted more stringent criteria for students to demonstrate independence may have contributed to this pattern.[4] [Emphasis added.]

Mr. Chairman, I believe it is also significant that the professional opinion of campus aid administrators, the people who deal directly with students and families in the delivery of financial aid, overwhelmingly supports a change in federal policy. According to a joint survey conducted last year by the College Scholarship Service (CSS) and the National Association of Student Financial Aid Administrators (NASFAA), six in ten aid administrators do not believe the federal definition is appropriate. When asked what would make a more appropriate definition of self-supporting student status, the greatest number favored adding a requirement of demonstrated self-support. Clear majorities also favored the addition of more prior years onto the current federal definition and consideration of age.[5]

The Effects of Switching to Age Criteria

Mr. Chairman, in response to your call for recommended changes in the Higher Education Act this past spring, a number of educational associations concluded that an age-related definition is the best alternative to current policy. I agree. An age criterion is easily understood, straightforward and readily verifiable; with proper exceptions, it is also fair. However, I have reservations about--and would like to suggest a variation on--the specific formula proposed by the American Council on Education (ACE) and other groups.

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[4] National Association of State Scholarship and Grant Programs, 16th Annual Survey Report, 1984-85 Academic Year.

[5] William D. Van Dusen and Hal F. Higginbotham, The Financial Aid Profession at Work: A Report on the 1983 Survey of Undergraduate Need-Analysis Policies, Practices, and Procedures, conducted by the College Scholarship Service of the College Board and the National Association of Student Financial Aid Administrators (New York, 1984), pp. 18-20.

The ACE proposal says that parental financial data shall not be required to determine the expected family contribution if the applicant is: 22 years of age or older on July 1 of the award year; an orphan or ward of the court; married; not married, but has legal dependents; a military veteran; a graduate or professional student. Using age 22 as a fulcrum in determining dependency status makes sense, as several states have already decided. But I worry about the blanket emancipation of students over age 22.[6] Many 22-25 year olds can and do rely on parental support as they continue in school, either completing their undergraduate degrees or going on to graduate studies. I am not persuaded that public policy should be to shift the cost burden from families who can pay in cases where the student has not yet established a pattern of self-supporting behavior.

There are two considerations the subcommittee may wish to bear in mind here:

1. Many states and institutions, public and private, are not likely to go along with a blanket emancipation of students 22 and older in the award of their own funds. While the tighter criteria under age 22 would bring federal policy more in line with current opinion in the education community, the more open policy over age 22 would create a new inconsistency between federal and nonfederal practice.

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[6] While the primary focus of my testimony at this point is on age criteria, the subcommittee should also be aware of an overlapping issue in the ACE recommendation--the proposed universal assumption of independent status for graduate and professional students. Graduate and professional schools vary widely in their approach to student dependency status. Some, especially the very high-cost schools, insist on considering parental resources in an effort to stretch aid dollars as far as possible and thus keep their doors open to students from as wide an economic spectrum as possible.

Automatic emancipation of all graduate students would cause substantial numbers of students to switch from dependent to independent status for financial aid purposes. As one indication of the magnitude of this change, 2.0 percent, or 47,500 of the 2.4 million students who file applications through CSS annually, are graduate students who are considered dependent on parental support under current rules. Another 45,000 graduate students who apply through the Graduate and Professional Student Financial Aid Service (GAPSFAS), administered by the Educational Testing Service, are also dependent under current rules. Over 60 percent of first year graduate student GAPSFAS filers, and 40 percent of all GAPSFAS filers, are dependent.

2. If the subcommittee is expecting to achieve federal cost savings as a result of a revised independent student definition, the savings achieved by tightening below age 22 are likely to be at least offset by the added cost resulting from expanded eligibility among students over age 22.

We have looked at a sample of CSS applications filed by students for the coming academic year. CSS filers broadly represent the population applying for federal campus-based and other need-tested aid awarded by institutions. The data indicate that a substantial number (over 100,000) of students under age 22 and single without children who now qualify as independent would be switched to dependent status under the ACE definition. At the same time, a still larger number (almost 300,000) would be switched in the other direction; these are CSS filers age 22 and over who are dependent under current rules but would become independent under a definition that automatically emancipates students when they reach 22. The table below summarizes the potential net shifts in the CSS filing population.

ESTIMATED MAGNITUDE OF CHANGES IN DEPENDENCY STATUS

AMONG COLLEGE SCHOLARSHIP SERVICE (CSS) FILERS

FOR 1985-86 (IN THOUSANDS)

	Total CSS Filing Population	Dependent Filers	Independent Filers
Current (Three-Part Federal) Definition of Dependency Status	2,400	1,632	768
ACE-Type Definition (Under Age 22 Dependent Unless Student Has Own Dependents; Age 22 and Over Automatically Independent)	2,400	1,442	958
Net Change	0	-190	+190

A Suggested Formula

I suggest for the subcommittee's consideration an alternative formula that would differentiate among age levels as follows:

- Under age 22: automatically dependent (exceptions: orphan; ward of the court; veteran; student has own dependents; or documentation by the campus aid officer in unusual circumstances).
- Age 22-25: current tax dependency rule plus proof of self-sufficiency in prior year (exceptions: veteran; student has own dependents; or documentation by the campus aid officer in unusual circumstances).
- Over age 25: automatically independent.

Such an approach would be more clear-cut and would simplify the dependency test for the great majority of students while increasing verifiability. Symbolically, it would reinforce the assumption of parental responsibility through at least the traditional ages spanning undergraduate education.

In conclusion, Mr. Chairman, whether or not this is exactly the right formula, change is needed and there has developed a fair consensus in the education community on the general direction it should take. If there is a single feature of student aid programs today that undermines confidence in the system because of disparities in the way different students of like circumstances are treated, it is the definition of self-supporting status. The higher education reauthorization should be an opportunity to devise a new federal definition that distinguishes more simply, fairly, and accurately between students who can depend on parental support and those who cannot.

Mr. Chairman, I hope this testimony helps in the subcommittee's consideration of this important issue. I shall be glad to answer questions.

Mr. **Ford**. Let me just say that I have already indicated to Tom that we want a study done by the Library of Congress on the 1980 census, and I think you two people in referring to the little studies you are referring to are doing something that we all do. You are looking at it from the perspective of the education programs and not what the 1980 census compared to the 1970 census tells us about who is in these age groups and what their characteristics are. Those, by your definition and the other definitions, would by the time they reach the school at 19 to 20 years old would be independent. But everything I have read indicates that between 1970 and 1980 that number went up very dramatically, and that in the 1980's it is continuing each year as they make the count in an imperfect way, albeit, but counting all livebirths, the number of livebirths to teenage parents continues to increase.

Now that usually is discussed in the context of other kinds of perceived social problems, but it is a factor that tells us something has changed, at least to that extent, with respect to these age cohorts that we are talking about.

So we are going to ask them to look at the makeup of those people. I don't have trouble with your proposal, except that I can hear the colleges and universities now saying we want some money for the additional computer capacity that we are going to have to have. Because when you look at what you have done up to age 25, you have got the overwhelming majority of the population that has to be dealt with, and over the years what we have tried to do is reduce the size of that population being served as a client population of the programs that has to be examined with this kind of particularity because all of the institutions, from the banks who make loans to the colleges, tell us that every time we change that little bit it imposes additional burdens on them for fact determination that are not from their perspective cost effective. So we have to try to figure out what these kinds of changes will do in that respect as well.

Mr. Martin.

Mr. **Martin**. Thank you, Mr. Chairman. I have touched upon this before, so let me keep my remarks very brief.

I have included in the beginning of my testimony some background on the history in the development of how the definition has changed, but since I am speaking to three of the senior members of this subcommittee that know well the background and history of this, let me move immediately over to some of the information and data.

On table 1, found on page 9, we have attempted to provide you historical data that is taken from the Department of Education's summary of their statistics of the Pell grant applicants from 1973-74 through to 1983-84 with the current data. In addition to showing the percentage of dependent and independent, we also give you age applications on that, of differences in those shifts, and I think you will find that interesting.

Table 2 that we have included also includes another factor that I think is interesting. And as I had indicated earlier in my comment to Mr. Jeffords in response to his question, if you look at the median age of both dependent and independent students from 1976-77 to 1983-84 you can clearly see that, as I was talking about, that students are getting older, undergraduate students generally.

Also, we have included some data on median family size, and you can see that families are actually getting smaller, which again parallels the census data. But I think the most interesting factor here is the median income in constant 1976 dollars because while dependent students have stayed about the same, you can see that independent students, generally, their income has eroded fairly significantly.

We also wanted to look at the enrollment pattern by type of institution, and that is contained on table 3. This shows both dependent as well as independent applicants broken down by type and control of institution through various years. As you would expect, the data on this shows that the major increase in number of independent students has come about primarily in terms of two primary sectors; that is, the private for-profit and the public 2-year schools. We don't find this particularly surprising. It seems to parallel enrollment trends since these institutions offer shorter degree or certificate programs, and as such, I think they naturally attract a higher proportion of older students and the majority of which we know are independent. Otherwise, the data seems to be fairly well.

We also want to look, however, at the actual Pell grant, in addition to the applicants to look at those that were actually eligible. And I think there are some interesting statistics there. As has already been pointed out by my colleague, Mr. Gladieux, and Ms. Anderson, is that clearly there has been an increase in the percentage of dependent and independent students in the Pell Grant Program from 1976-77 through 1982-83. In addition, as Mr. Gladieux has referred to in their testimony on page 6, if you look at actual numbers of the students in those age cohorts, you see an increase. And I think that is important for us to note.

But I chose to take that data and do it slightly differently, and that was in that age distribution of the independent eligibles, to look at that as a percentage of the total pool because, naturally, we know we have more eligibles. The thing I find is interesting is that if you look at 22-year-olds and under in the Pell Grant Program from 1976 to 1977 we had 32.1 percent. It has declined in 1982-83 to 30 percent. Conversely, if you look at students that are in the over-30-year bracket in 1976-77, it was 20.1. It is now 25 percent. And again while the number has gone up, the percentage of these students that are falling into these categories as a part of the total is actually declining.

So as we look at some of the data, I think we have to do that. In addition to Pell grants where we have so much focus, we also gathered some other data from the Department of Education, and table 5 shows the actual distribution of dollars and numbers of recipients in Federal campus-based programs from 1974-75 through 1981-82. And as a percentage of total recipients, this data shows that participation by independent students peaked at 27 percent in 1979-80 and has actually declined since then. The actual amount of campus-based dollars as a percentage of the total dollars that are expended has risen only 2 percent from 1974-75 to 1981-82, going from 23 percent to 25 percent.

So I think part of the reason for providing this is that while there is concern, and legitimate concern, part of it is maybe perceptual more than what we are going to be able to prove statistically. Nevertheless, we, like many others, have been concerned about this definition, and as I have already pointed out there are problems in verifying the current definition. Our own association, through our Need Analysis Standards Committee, therefore had a charge during this past year to try to develop new criteria that might be used. And under a proposal that the committee developed we also defined basically a definition that would have said if an undergraduate student is 22 years of age or younger as of July 1 of that year, that that student would be required to include rental information on their forms unless they were an orphan or ward of the court, they were married or they were single but they had their own dependent children, or that they were a veteran of the armed services. And clearly, if the aid administrator had other circumstances to know why we shouldn't have that because of some of the things I have already mentioned that they also could write a waiver.

Above that, if they were 23 years or older, regardless of whether they were an undergraduate, we would have proposed that they automatically do not have to include the parental data. Likewise, we also said that with graduate and professional students that they would not have to; they would automatically be considered emancipated.

We put that out to our membership for comment, and we received a number of comments, as you would suspect, back from a group of people that are as diverse as we are with all sectors. Many people said, "Why 22? Why not 18? Why not 19? Why not 20? Why not 25?" Quite honestly, the committee looked at a variety of these things. We did that in part on their judgment. Again, as, Mr. Chairman, you have said, we had to be arbitrary, and 22 was picked because that seemed to be the period of time that would reasonably allow most students to kind of go through the typical undergraduate period of time without having a change in the dependency status. Additionally, it was an age that had previously been used with the Social Security Administration in benefits when that was phased out as kind of a period of when we would stop that. And so it was an arbitrary decision to do it. Some people support that. Other people, as Mr. Gladieux has pointed out, do not and therefore would like it to be older. Some would prefer it to be younger as well.

We also looked at the question of automatically making all graduate or professional students independent, if you will. Some people objected to that. They said, "We don't believe that necessarily there should be a distinction. that there is clearly evidence also to show that in many programs that parents continue to pay for that." In fact, some of our colleagues with particularly health profession schools noted that in their own programs that are in the other areas that they are required to look at parental information. So they did not agree with that.

However, we were struck again, the committee, when we looked at a study that was undertaken by the Educational Testing Service international survey of looking at graduate students in 1980–81, and that study noted that while approximately 70 percent of all undergraduate seniors were dependent on their parents that only about a third of those who were enrolled in graduate or professional schools were receiving support from their parents. Additionally, we found that of all enrolled graduate and professional students who were considered dependent by their parents, even using the existing definition, that survey showed that actually only about a third of them even though we had a definition actually received any help from their parents. So whether we called them that or not many of them were not receiving the support from the parents.

Many of our people also said, "Well, let's not change the whole definition, let's move in the direction more," as Ms. Anderson has said here, "of simply rolling back the number of years that we look at." And that previously had been our recommendation as an association as well. We did that, and we looked at California, for example, which is a State that currently requires a student to respond to questions not only for the year of application but for the 3 prior years. The National Student Aid Coalition in looking at this definition had asked an analysis to be done. And in our statement here I think it is interesting to see what we found with the data base that was pulled off of that file of students in California.

That analysis showed that of 302-plus thousand students who had filed the California application as of February 1983 that 140,000-plus, or 46 percent, were classified as independent students under the current Federal definition. Now, if you modify that definition to go back an additional prior year, 13 percent of those would have been eliminated and now would have been classified as dependent. If you go back the full 3 years, you eliminate another 8 percent. So you go from a 46 percent down to actually only 21 percent that actually meet that independent criteria. A fairly significant change. Clearly that tightening of definition shows that we can reduce the pool. What it does not show is what is the nature of the students that are in that sample. And unfortunately, we don't know those characteristics of who would have been hurt.

One of the concerns I think that we had is that in fact there may have been some students in that population simply by going back on the tax years that truly are independent that should not be classified as such. We have not yet, our association, as our people are continuing to look at it, come up with a final proposal. I think we, again, as pointed out, many people are concerned about the fact that the definition needs to be verifiable, that it needs to be looked at; it needs to have face validity, but it also needs to be simple.

While we have not finalized a formal recommendation for this subcommittee as part of our reauthorization proposals because of differences amongst the members of our council, I can tell you, Mr. Chairman, that I think our community does believe that there ought to be some single, universal definition that most people can support so that we don't have students dependent under one program and independent under another. And clearly that is beginning to occur now.

The criteria that I think the committee needs to look at in whatever definition that you develop is that first it must be able to be handled centrally and easy to be administered. It must be rational, equitable, and lack extremes. It should not be a rationing device. It should not be discriminatory. It should lack the need for a large number of exceptions, and it must not look at students in such a way that behavioral changes will result either on the part of the students or their parents in an effort to create what I would call independence of convenience.

I think that generally the definition that our committee has proposed certainly addresses some of those questions. They are pretty straightforward. They are not easy to be manipulated. And even with the tax consultants and their good advice, you can't simply take it off unless you meet the other criteria.

So we would hope that you would look at these, but we also appreciate the difficult situation that you are in.

Thank you very much.

[Prepared statement of Dallas Martin follows:]

PREPARED STATEMENT OF A. DALLAS MARTIN, JR., EXECUTIVE DIRECTOR, THE NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Mr. Chairman, Members of the Subcommittee, I am Dallas Martin, Executive Director of the National Association of Student Financial Aid Administrators (NASFAA). On behalf of our more than 3,100 member institutions, we want to thank you for providing us the opportunity to testify during these reauthorization hearings on the issue of how to develop criteria to define those students who are financially dependent upon their parents and those who are truly self-supporting or independent.

This is not a new issue for those of us involved in the financial aid profession. Since the mid-fifties, when national student aid systems were established to assess a family's ability to pay, the models were built upon the philosophical construct that first, to the extent they are able parents have the primary responsibility to pay for their children's postsecondary education. Secondly, we assume the individual student will also contribute to his or her postsecondary education. It is therefore only after a careful analysis of the parent's and student's ability to pay for postsecondary educational expenses that we award need-based assistance to students. These fundamental tenets are still imbedded in the need analysis systems today, but over the past twelve years the definition of an independent student has been seriously debated by the financial aid profession. In the late fifties and early sixties, most of the students that were enrolled in higher education fell within the traditional 18-22 year old age cohort and as such, it was generally assumed that most students were dependent. When institutions encountered older students or someone that did not meet the dependent norm, they simply dealt with them on an exception basis or used an arbitrary age criteria for no longer requiring parental information from these students. However, by the early 1970's when the age of majority was changed from 21 to 18 years for voting purposes and for entering into contracts, many educators became concerned about the effect such would have on the philosophical underpinnings of awarding financial aid. Therefore they felt new criteria, which was not merely based upon age, needed to be developed to determine the circumstances under which a student should no longer be expected to obtain parental support for their postsecondary education. Thus when the Basic Educational Opportunity Grant Program was implemented in the 1973-74 academic year, the Office of Education included in its regulations a formalized definition of an independent student. The definition noted that an independent student is a student who: (1) has not and will not be claimed as an exemption for Federal income tax purposes by any person except his or her spouse for the calendar year(s) in which aid is received and the calendar year prior to the academic year for which aid is requested; (2) has not received and will not receive financial assistance of more than $600 from his or her parent(s) in the calendar year in which aid is received, and the calendar year prior to the academic year for which aid is requested; and (3) has not lived or will not live for more than two consecutive weeks in the home of a parent during the calendar year in which aid is received and the calendar year prior to the academic year for which aid is requested.

This same definition was then adopted for the three campus-based programs between 1974 and 1976 through the Office of Education's Student Financial Aid regulations. While most people supported this definition, there were those within the Office of Education who were concerned that the existing definition was perhaps too lenient. Therefore, in 1977 the Office of Education issued a Notice of Proposed Rule Making that attempted to modify the definition by adding an additional prior year to the tax exemption condition and to increase from two to six weeks the residence requirement. However, adverse public comment resulted in no immediate change in the definition at that time. Then in the 1979-80 academic year, the residence requirement was extended from two consecutive weeks to six total weeks in recognition of reasonable vacation periods with parents and the amount of support that could be received from parents was raised to $600 to reflect the the increase in the personal exemption allowed by the Internal Revenue Service. Subsequently, for the 1980-81 academic year, the second year of the calendar years in which aid is received was dropped from the definition. The following year, 1981-82, the amount of support was increased to $1,000, again to reflect increased IRS personal exemption allowance. Then in 1982-83, following the adoption of the Educational Amendments of 1980, another change which was provided in Section 482 of the Act was implemented. This section noted that "a married student shall be considered independent if, not withstanding prior dependency status, such student certifies that in the year of application he or she: (1) will not live with parents for more than six weeks; (2) will not be claimed by parents as a dependent on any tax return filed for purposes of Federal income taxes; and (3) will not receive more than $750 in support from parents." Therefore, beginning with the 1982-83 academic year, the dependency status of married students was only based upon existing circumstances for the year of the application. Further, the amount of support from parents was reduced from $1,000 to $750. While the decrease in dollar amount was probably caused by a simple oversight in the drafting of the law rather than by actual intent, in order to maintain consistency and for purposes of form design, the same allowance in parental support was implemented for both married and single students. This definition, which was adopted in 1982-83, is still being used today, however concerns over the definition have continued to arise. For example, in December of 1981, the Office of Student Financial Assistance devoted that month's issue of its Bulletin to problems associated with the criteria for determining independent student status and recommended that other criteria should be used. OSFA personnel at that time cited examples that some students were deliberately manipulating the criteria to obtain independent student status, thereby creating independence of convenience to gain access to financial aid funds. They also predicted the need for change upon data that showed there was a large increase in the number of independent students in the Pell Grant Program between 1973-74 and 1976-77 with some slight increases from that point forward. The December, 1981 OSFA Bulletin then requested comments from the financial aid community. That analysis solicited a wide range of suggestions from members, almost all of whom requested a more stringent definition. From those suggestions, three concepts were frequently repeated. First, the suggestion to use age as a criterion for determining automatic independence. Second, an emphasis on using prior year data to determine dependence rather than estimated information. Many of the commenters also suggested extending the current criterion to one or two years before the base year. Third, to establish a distinction between undergraduate and graduate students. Following these comments, on May 23rd the Department of Education published a formal Notice of Proposed Rule Making in the Federal Register and the Secretary proposed the following revised definition for independent student:

> (a)An independent student is--
>
> (1)An unmarried student who is not a veteran, and who is not 22 years old before the first calendar year of an award year, and who does not have dependents as defined in 34 CFR 690.42, who during the three calendar years immediately before, and the first calendar year of, an award year--

(i)Has not lived and will not live for more than six weeks in any of those years in the home of the parent(s) for whom income must be reported according to 23 CFR 690.33;

(ii)Has not been claimed and will not be claimed as a dependent for Federal income tax purposes by the parent(s) for whom income must be reported according to 34 CFR 690.33; and

(iii)Has not received and will not receive financial assistance of more than $750 in any of those years from the parent(s) for whom income must be reported according to 34 CFR 690.33;

(2)An unmarried student who is not a veteran, and who is 22 years old before the first calendar year of an award year, or who is not 22 years old, but has dependents as defined in 34 CFR 690.42, who during the most recent calendar year before, and the first calendar year of, an award year--

(i)Has not lived and will not live for more than six weeks in the home of the parent(s) for whom income must be reported according to 34 CFR 690.33;

(ii)Has not been claimed and will not be claimed as a dependent for Federal income tax purposes by the parent(s) for whom income must be reported according to 34 CFR 690.33; and

(iii)Has not received and will not receive financial assistance of more than $750 from the parent(s) for whom income must be reported according to 34 CFR 690.33; or

(3)A married student or a veteran who, for the first calendar year of an award year--

(i)Has not lived and will not live for more than six weeks in the home of the parent(s) for whom income must be reported according to 34 CFR 690.33;

(ii)Has not been claimed and will not be claimed as a dependent for Federal income tax purposes by the parent(s) for whom income must be reported according to 34 CFR 690.33; and

(iii)Has not received and will not receive financial assistance of more than $750 from the parent(s) for whom income must be reported according to 34 CFR 690.33.

(b)However if both parents have died, or the student has been declared a ward of the court, the student is independent.

(c)Under paragraph (a)(3) of this section, in determining whether a veteran is an independent student, disregard whether the veteran resided with his parents or received financial assistance from them during a one year period immediately following the date the veteran was discharged from active duty from the Armed Services.

(d)An award year is the period of time between July 1 of one calendar year and June 30 the the following calendar year.

(e)A veteran is a person who served on active duty for more than 365 consecutive days in the U.S. Armed Forces and was discharged or released with an honorable discharge.

(f)Paragraph (a)(1) of this section will not become effective until the 1985-86 award year. In 1984-85 an unmarried student who is not a veteran, and is not 22 years old before January 1, 1984, and who does not have dependents as defined in 34 CFR 690.42 is independent if for 1982, 1983, and 1984 he or she--

(1)Has not lived and will not live for more than six weeks in any of those years in the home of the parent(s) for whom income must be reported according to 34 CFR 690.33;

(2)Has not been claimed and will not be claimed as a dependent for

Federal income tax purposes by the parent(s) for whom income must be reported according to CFR 690.33; and

(3)Has not received and will not receive financial assistance of more than $750 in any of those years from the parent(s) for whom income must be reported according to 34 CFR 690.33.

Fortunately this more complicated definition was not implemented by the Department of Education, in part because of the large number of respondents who indicated the definition was too cumbersome and unwieldy and secondly because it did not follow the actual statutes enacted by the Congress. This quick review of the history and some of the viewpoints on the topic will now enable us to focus upon the facts.

The Department of Education has argued that the percentage of independent applicants within the Pell Grant Program has increased from 14.8% in 1973-74 to 38.4% in 1976-77, and that number has grown to 44.9% during the 1981-82 year. No one will deny there was a fairly significant increase in the number of independent students between the periods of 1973-74 to 1976-78. But it is important to remember that when the Pell Grant Program was first enacted, during 1973-74 only freshmen were eligible to participate. In 1974-75, a second class of students was brought into eligibility, making it open to freshmen and sophomores and thus increasing this phase-in until all four classes of undergraduate students were finally in the program by 1976-77. As such, the increase in the numbers of self-supporting students in these first four years of the Pell Grant Program is due almost solely to the addition each successive year of a new cohort of eligible students. Thus, the increasing age of the total pool of Pell Grant recipients probably had more to do with the growth in independent students than any weaknesses in the definition per se. On the other hand, as a result of findings by research at the state level, some states have imposed stricter definitions of self-supporting students by extending the current definition to include an additional prior year or two or three years, thus precluding the proclamation of instant emancipation. Other states, however, have continued to utilize the Federal definition, and have stated that the changes that have occurred are simply a function of the overall aging of all undergraduates. Data which we provided to the Subcommittee two weeks ago when you were examining the non-traditional part-time student, clearly showed the enrollment of students under age 25 comprised 3.15% less of total enrollments in 1982 than in 1974, which would account for about 6.3 million fewer students in this college enrollment age group. Similar data, as shown on Table 1, which includes National Pell Grant Summary Statistics, published by the U.S. Department of Education and which were compiled by Tom Mortenson, Director of Policy Research and Analysis, Illinois State Scholarship Commission, clearly show age is far more a factor than perhaps any other variable. For example, in 1976-77, 12.7% of the dependent Pell Grant applicants were 22 years of age or older, whereas in 1983-84, 16.2% of the dependent applicants were 22 years of age or older. However, the actual percentage of independent applicants shows that there were 20.7% of those 21 years of age or less in 1976-77, while in 1983-84 only 18.4% fell into this age category. By comparison, whereas 21.2% of all Pell Grant recipients in 1976-77 were over 30 years of age, by 1983-84, 27.5% of the applicants were over thirty.

Table 2, which also utilized the Education Department's National Pell Grant Summary Statistics, provides some other interesting data on the changing characteristics of dependent and independent Pell Grant recipients between 1976-77 and 1983-84 academic years.

As this table shows, the median age for both dependent and independent students has increased, again underlining the changes in demography for all

TABLE 1

NATIONAL DATA ON PELL GRANT APPLICANTS FROM 1973-74 THROUGH 1983-84

Award Year	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Total Number of Applicants	482,331	1,114,084	2,178,696	3,426,504	3,668,837	3,412,927	3,993,483	4,519,630	4,603,006	4,702,765	4,950,098
Percent Dependent	87.7	80.5	73.2	63.8	61.4	64.6	64.0	61.9	60.6	60.2	58.1
Percent Independent	12.3	19.5	26.8	36.2	38.6	35.4	36.0	38.1	39.4	39.8	41.9
Percent of Dependent Applicants Aged:											
21 or Less				86.7	85.2	85.1	85.8	85.9	85.6	84.4	83.3
22 – 25				11.3	12.6	12.3	12.1	12.0	12.2	13.2	14.0
26 – 30				1.4	1.7	1.6	1.6	1.6	1.6	1.7	2.2
Percent of Independent Applicants Aged:											
21 or Less				20.7	20.5	19.6	20.2	20.2	20.1	19.8	18.4
22 – 25				33.4	33.3	32.5	32.0	31.5	30.9	30.2	29.4
26 – 30				24.6	24.7	24.8	24.1	24.0	24.0	24.4	24.7
Over 30				21.2	21.5	23.0	23.9	24.2	24.8	25.7	27.5

Source: National Pell Grant Summary Statistics, Policy and Development Office, U.S. Department of Education
Compiled by: Thomas G. Mortenson, Director Policy Research and Analysis, Illinois State Scholarship Commission

undergraduate students. Similarly, the decline in the median family size for both groups of students also parallels the changes reflected in overall census data for this period.

TABLE 2
CHARACTERISTICS OF DEPENDENT AND INDEPENDENT PELL RECIPIENTS

	1976-77		1983-84	
	Dependent Students	Independent Students	Dependent Students	Independent Students
Median age	18.8	25.4	20.0	26.4
Median Family Size	4.17	1.55	3.66	1.34
Median Income (In 1976 constant $)	$18,460	$6,472	$18,575	$4,712

However, the most interesting fact is the difference in Median Income in constant dollars between dependent and independent students. While the income level is almost the same over the seven year period for dependent student families, the independent student's median income has eroded significantly.

Another set of variables we wanted to examine was the enrollment patterns of dependent and independent students by type and control of institution. Table 3 shows the student's first choice school as listed on their Pell Grant application. Again, this data seems consistent with the overall enrollment patterns experienced among the sectors over this time period. As expected, the largest increase in independent student growth has been in the private for profit and public two-year schools. Since these schools offer shorter degree or certificate programs and more frequently gear their course offerings to specific skill courses, they tend to attract a higher proportion of older students, the majority of which are independent. While the median age of all undergraduate students has increased over the past few years, the mean age of the students enrolled in the two-year public and proprietary schools are even higher.

TABLE 3
FIRST CHOICE INSTITUTION OF PELL GRANT APPLICANTS
(shown in percentages by year)

DEPENDENT APPLICANTS: Years:	1976-77	1979-80	1980-81	1982-83	1983-84
Public University	26.4	29.7	31.7	33.0	32.9
Public 4 year	6.3	6.6	6.8	5.8	6.0
Public 2 year	15.5	14.5	15.2	16.2	16.9
Public other	1.9	1.6	.3	.5	.5
Private University	7.5	10.5	11.1	12.4	12.0
Private 4 year	11.5	14.2	14.4	13.8	13.8
Private other	2.0	2.1	2.3	2.3	2.4
Private for profit	4.8	6.4	6.4	7.3	8.2
Undetermined	24.1	14.3	11.7	8.7	7.2
INDEPENDENT APPLICANTS: Years:	1976-77	1979-80	1980-81	1982-83	1983-84
Public University	19.6	22.6	22.4	22.3	21.4
Public 4 year	5.0	5.5	5.2	4.1	4.2
Public 2 year	26.5	27.4	27.5	29.1	29.8
Public other	1.5	1.5	.9	1.2	1.3
Private University	3.6	4.6	4.5	5.0	4.7
Private 4 year	6.0	7.1	7.0	6.4	6.2
Private other	1.8	2.0	2.0	2.6	2.7
Private for profit	9.5	13.0	13.7	16.6	18.9
Undetermined	26.4	16.3	16.6	12.8	10.8

Source: National Pell Grant Summary Statistics, Policy and Development Office, U.S. Department of Education
Compiled by: Thomas G. Mortenson, Director Policy Research and Analysis
Illinois State Scholarhip Commission

While the data which we have presented thus far is based upon Pell Grant applicants, we also have obtained figures on those who applied that actually were eligible. This analysis, which is shown on Table 4, also shows that the percentage of the total eligible independent Pell Grant applicants under the age of 22 has actually declined during that period from 32.1% in 1976 to 30.0% in 1982. The Table also indicates a slight drop in independent eligibles between the ages of 23 and 30 and a growth in the percentage of over 30 year old eligible independent applicants from 20.1% to 25.0%.

Additional data from the Department of Education in Table 5 shows the distribution of dollars and number of receipients in the Federal Campus-based programs from 1974-75 through 1981-82. As a percentage of total recipients, this data shows that participation by independent students peaked at 27% in 1979-80 and has declined since then, and the actual amount of campus-based dollars as a percentage of total dollars expended has risen only 2% from 1974-75 to 1981-82, going from 23% to 25%.

TABLE 4

ELIGIBLE APPLICANTS WITHIN THE PELL GRANT PROGRAM

	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83
Total Eligibles	2,258,043	2,390,320	2,228,603	3,029,745	3,420,000	3,420,000	3,340,776
% Dependent	63.1%	58.1%	60.3%	61.8%	57.0%	54.9%	51.7%
%Independent	36.9%	41.9%	39.7%	38.2%	43.0%	45.0%	48.3%
Number of Dependent	(833,265)	(1,001,661)	(885,739)	(1,157,477)	(1,471,113)	(1,528,495)	(1,613,590)
AGE DISTRIBUTION – INDEPENDENT ELIGIBLES							
22 years and under	32.1%	31.0%	29.8%	31.4%	30.4%	30.7%	30.0%
23 yrs-30 yrs	47.8%	47.9%	47.6%	45.6%	45.6%	45.0%	45.0%
Over 30 yrs	20.1%	21.1%	22.6%	23.0%	24.0%	24.2%	25.0%

Source: U.S. Department of Education, Office of Student Financial Assistance

TABLE 5

Campus-Based Student Aid Program Recipients

(Unduplicated)

Number of Recipients Dollars Awarded	1974-75	1975-76	1976-77	1977-78
Undergraduate	850,371	1,424,616	1,052,554	1,007,544
Dependent	$ 650,274,549	$ 825,199,770	$ 788,939,502	$ 841,377,258
Undergraduate	256,353 (21%)	333,470 (18%)	373,946 (24%)	306,974 (20%)
Independent	$ 227,695,732 (23%)	$ 311,956,179 (25%)	$ 302,603,887 (25%)	$ 333,950,520 (25%)
Graduate and	64,908	75,572	78,784	205,155
Professional Students	$ 78,029,714	$ 102,232,523	$ 115,114,048	$ 153,863,425
Less than	--------	--------	--------	--------
1/2 time	--------	--------	--------	--------
Total number of Recipients	1,171,632	1,833,658	1,505,284	1,519,673
Total Dollars awarded	$ 956,000,000	$1,239,388,472	$1,206,657,437	$1,329,191,203

Number of Recipients Dollars Awarded	1978-79	1979-80	1980-81	1981-82
Undergraduate	911,060	1,112,999	1,006,838	1,026,347
Dependent	$ 882,559,078	$ 974,842,123	$1,088,141,877	$1,011,144,870
Undergraduate	330,432 (24%)	510,425 (27%)	375,823 (25%)	376,320 (24%)
Independent	$ 361,378,375 (25%)	$ 415,498,456 (26%)	$ 431,288,383 (25%)	$ 391,525,529 (25%)
Graduate and Professional	128,329	234,960	110,064	104,304
Students	$ 158,194,686	$ 195,014,836	$ 197,949,118	$ 156,536,269
Less than	--------	--------	554	648
1/2 time	--------	--------	$ 560,321	$ 530,930
Total number of Recipients	1,369,821	1,858,384	1,493,275	1,507,619
Total Dollars awarded	$1,402,132,139	$1,585,355,415	$1,717,939,699	$1,559,737,598

Having now reviewed all this data, one can conclude that the actual changes that have occurred in the number of independent students participating in the Pell Grant and Campus-based programs between 1976-77 and 1983-84, are not as significant as often reported. Additionally, the increase in actual dollars going to these students does not appear to be out of line given the overall changing age demographics within the postsecondary education cohorts. One therefore could argue, that the existing definition of independent students seems to be working fairly well. On the other hand, there clearly are some flaws in the current Federal definition. As it now stands, the existing definition has basically three parts. First, as residency criterion, second, a financial support cirterion, and third, an income tax exemption criterion. Most financial aid administrators would clearly attest to the fact that the first two part of the definition, financial support and residency, are very difficult to verify and can be easily circumvented by a student if they so desire. Therefore, the income tax criterion is really the only valid portion of the definition that can actually be verified by financial aid administrators. However, for a family that chooses to circumvent the system, even the income tax criterion may not prevent them from doing so. The family that elects to beat the system can simply give up the income tax exemption for the otherwise dependent family member, and in most cases, the greater tax liability will be more than offset by the student's increased eligibility for student aid on a self-supporting basis.

While clearly the vast majority of American families are very diligent and honest in filling out the student aid application forms, there are a small number who regrettably will attempt to manipulate the system for their own advantage. Therefore, in order to make it more difficult for these families to manipulate the system, NASFAA's National Council in February, 1983 adopted the position that the criteria included in the law to establish independent student status should be extended to include one additional calendar year prior to meeting the conditions for independency beginning in the 1984-85 award year, and that this new criteria in future years would be subject to ongoing review by all parties involved in the financial aid delivery system. The proposal to add the additional year, however, was deferred by Congress as I've previously pointed out, and therefore we have continued to retain the current statutory definition through the 1986-87 academic year. Since 1983, when NASFAA adopted its position, the Association has continued to receive numerous comments from the membership suggesting that the current definition needs to be reexamined and modified, and to incorporate criteria that can more easily be verified but which will also provide appropriate assurances that those persons who truly are self-supporting, are not unfairly penalized.

Therefore, in keeping with its charge to reexamine the definition to develop more appropriate criteria that might be considered during these reauthorization hearings, during 1984-85, the Association's Need Analysis Standards Committee developed an alternative set of data elements that can be used to determine whether or not a student must include his or her parent's financial information on their need analysis form. Under the Committee's proposal, if an undergraduate student is 22 years of age or younger, on July 1 of an award year, that student would be required to include parental data on their need analysis form unless that student was: a) an orphan or a ward of the court; b) married; c) single, but has dependent children of his or her own; or d) a veteran of the Armed Services of the United States. Undergraduate students who are 23 years of age or older prior to July 1 of a given award year would not have to include parental data on their need analysis forms. In addition, all graduate and professional students would not be required to include parental information on their need analysis forms unless required to do so by the institution they are attending. The Committee also proposed that the statute be written to allow the institutional financial aid administrator to exercise his or her professional judgment and to make exceptions in those cases where they have knowledge that should be taken into consideration in overriding any of the requirements for the student to submit parental data. In developing this proposal, the Committee considered a number of options, including different age requirements, the use of income tax documents, withholding forms, and other criteria. In the final analysis, the Committee wanted to utilize criteria that would be easily understood by all parties, easy to verify, and which could not be manipulated. The Committee also attempted to be sensitive to the positions and ideas that have been advanced by others, while still trying to develop a system that would be fair and generally in keeping with the assumed values of the majority of citizens. The Committee also structured the criteria is such a manner that the terms "dependent" or "independent" or "self-supporting" are no longer needed but rather a simple procedure would be in place that either requires inclusion of parental information or does not.

Following the adoption of this position by NASFAA's Need Analysis Standards Committee, the proposal was included in our March 20, 1985 Newsletter and circulated to our membership for further comments. During the comment period, several members questioned the use of age 22, rather than 21, 24 or some other age. The Committee, in developing its positions selected 22 because it believed this would allow reasonable time for the typical undergraduate student who is graduating from high school to go through their four years of undergraduate study during the normal period of time when parents would be most willing to provide financial assistance. Additionally, the Committee also felt that 22 was an appropriate age since the educational benefits that had been provided to students previously under the Social Security Administration used this age as their criteria as well. If an earlier age is selected, then a higher proportion of students will actually change from dependent status to independent status during their undergraduate enrollment period. If an younger age cutoff is used, then there is more likely to be a greater financial impact upon the costs of the programs or the shifting of dollars among current recipients. While some argued for an older age cutoff, the Committee generally felt it was unnecessary to utilize a higher age, given the fact the median age of dependent students was approximately 20 years of age.

Some of our members also objected to not making graduate or professional students provide parental information unless asked to do so by the institution. These people, many of whom deal with students who are receiving assistance under the Health Professions programs, noted that because of their high educational costs, they routinely expected contributions from students' parents, even though many of these students were over the age of 22. Some noted that the regulations under the Health Professions programs require the submission of parental income information in order to determine eligibility. Other members voiced an opposite concern, and therefore strongly supported the idea of making all graduate and professional students independent. They noted that, in a study conducted by the Educational Testing Service (ETS) in a national survey of individuals who applied for need-based financial aid to attend graduate and professional schools in 1980-81, the data indicated there were strong tendencies on the part of parents to reduce support to students attending advanced education. The Educational Testing Service study noted that while approximately 70% of all undergraduate seniors were dependent on parents, only about one-third of those students who are enrolled in graduate or professional schools were still receiving support from their parents. Of those enrolled graduate and professional students who were considered dependent on their parents, only about one third actually received any help from their parents to finance the post-baccalaureate costs. Still other members generally objected to the whole idea of even changing the existing definition. Some argued the existing definition was fine, and it should be left alone. Others argued that the existing definition should be modified simply by adding one or two additional calendar years to the existing definition. For example, the State of California currently requires a student to respond to questions regarding self-supporting status for the year of application as well as for three additional prior years, and many of the aid administrators within the state strongly believe this has helped reduce potential abuses for independent students.

As an aside regarding the California definition, let me note that in 1983 the National Student Aid Coalition, in an effort to gain additional information on the effect of a more restrictive test of independence, asked the Educational Testing Service to provide date from their file of students who have submitted student aid applications for California. This analysis showed that of the 302,498 students who had filed the California application as of February, 1983, 140,304 or 46% were classified as independent students under the current Federal definition. If the definition was modified, however, to require an additional prior year of self-support, 13% or 121,710 students would be eliminated from the independent group. If three prior years of self-support were required, an additional 8% would be eliminated from consideration as independent, therefore bringing the total eliminated from the original independent group from 46% to 21%. While this study clearly showed that by moving the years backward a smaller percentage of students will meet the independency criteria, the study did not examine the characteristics of what types of students were being denied independent status.

While our Association also received a few other comments, in general a fairly large number seemed to support the idea of amending the criteria along the lines proposed by our Need Analysis Standards Committee. In April of this year when NASFAA's National Council met to finalize its reauthorization recommendations, the new proposed definition was presented. While the Council generally supported the concepts, they were also concerned about the impact and wanted additional time to evaluate the matter before formally endorsing it. For that reason we did not make a formal recommendation to modify the existing definition as a part of our reauthorization proposals. However, I expect the matter to be raised again at our fall meeting, and perhaps at that time the National Council will alter the postion that it adopted in 1983.

In conclusion, let me say that as someone who has been involved in discussions on this matter over the last 16 years, I seriously believe there is a strong support among the majority of aid administrators for a standardized and nationally accepted definition that can be utilized for all programs at the Federal, state, and institutional levels. They also strongly believe there is a need to have consistency so students in one program that are determined self-supporting, are also going to be self-supporting in another program. While I have never seen universal agreement in the community on any single definition, there is general support for a standard to be universally accepted, it must meet the following measures: (1) it must be able to be handled centrally and be easy to administer; (2) it must be rational, equitable, and lack extremes; (3) it must not be a rationing device; (4) it can not be discriminatory; (5) it should lack the need for a large number of exceptions; and (6) it must not look at students in such a way that behavioral changes will result either on the part of the students or their parents in an effort to create independence of convenience.

Again, we thank you for the opportunity to have appeared before you today, and I would be happy to respond to any questions you may have.

Mr. FORD. Mr. Breyer.

STATEMENT OF THOMAS A. BREYER, MANAGER, SPECIAL STUDENT AID PROJECTS, ILLINOIS STATE SCHOLARSHIP COMMISSION

Mr. BREYER. Thank you.

Mr. Chairman, members of the subcommittee, my name is Tom Breyer, and I am here today representing the Illinois State Scholarship Commission.

Prior to joining the commission, I served for 3 years as executive director of the Illinois Independent Higher Education Loan Authority, and for 4 years prior to that directed the administration of financial aid programs for the Chicago campus of Northwestern University.

The commission was pleased to be invited to appear before you today to present this testimony. And as you requested, our comments today will be addressed only to matters relating to the definition of the independent student.

By way of providing a little background, in addition to serving as Illinois' guarantee agency and secondary market, the commission also administers the Monetary Award Program, the second largest State Grant Program in the Nation, which this year will award approximately $123 million to over 100,000 students. Roughly 40 percent of these recipients are classified as independent. Because of this substantial investment and because Illinois has successfully piggybacked the Pell grant definitions, procedures, and central processing system for 4 years, the Federal definition of "independence" is of great importance to us.

In addition to hearing the remarks of Mr. Jeffords this morning, and my colleagues, all of which have very eloquently summarized and put into perspective the specific issues we are addressing today, I wanted to address a few comments to the broader issues of reauthorization. I have been quite fortunate so far to have been able to attend a number of the reauthorization hearings, and I have heard a number of very consistent issues raised. You and your colleages, Mr. Chairman, have spoken of the overwhelming dominance of the Federal budget deficit as an issue, of the hostile environment for funding, of the need to achieve more with less. You have spoken of the need to target more grant funds specifically to those who truly need them most, but have made it clear that these funds must come from savings achieved through improved program administration, not simply through ever greater levels of appropriations. You have spoken of the need to restore integrity to our financial aid programs by reducing waste, fraud, and abuse. You have spoken of the need to reemphasize the role of the family in the broad partnership of those involved in the financing of higher education. And you have asked not just for opinions, but for concrete, feasible proposals. We have heard you, and I hope you will find this testimony today to be addressed specifically toward helping this subcommittee achieve those objectives.

The subcommittee recently has heard testimony on the subject of error in the Pell Grant Program. As has already been mentioned by Mr. Gladieux, last year the Department in reviewing the results of its Pell grant quality control study concluded that wrongly claimed dependency status was the single largest source of applicant error in 1982-83. I think we have heard some seemly contradictory remarks here this morning. One saying abuse is not widespread. Another comment saying, no, this is a major problem. I think all of these are correct. The group involved is relatively small. The Pell grant quality control study concluded that approximately 6 percent of the students claiming to be independent were wrongfully claiming that status. However, the dollar impact is large. The Department estimated a net overaward of $64 million for 1982-83 resulting from this item alone.

I also agree with your comments and comments of others it is very difficult to tell out of this error how much of it is intentional and how much is unintentional. And I don't know how concerned we should be about that. I think we should address both problems. I think in the validation process we have moved toward eliminating some of the unintentional errors, but I think there still is some additional room for reducing the so-called deliberate independence of convenience which allow students to declare themselves independent in an attempt to increase their eligibility for student financial aid and allows higher income families to absolve themselves of certain of their financial responsibilities, and reauthorization provides an opportunity that has been well addressed here to focus on this problem.

It was our concern in Illinois over this problem that prompted the commission to conduct research in 1983 to identify Illinois dependents of Pell grant applicants who changed their dependency status and to analyze the impact that this had on Pell grant and State grant eligibility for Illinois residents. At that time we found that approximately 2,500 unmarried nonveterans under the age of 22 who did not have dependents of their own had switched status from dependent to independent. The total year-to-year increase in Pell grant payouts to these individuals amounted to over $1 million in Illinois alone.

After analyzing the results of this study, the commission was invited to appear before this subcommittee in 1983 at which time we urged that the Department of Education institute a new edit check procedure rather than a new definition. Specifically, we recommended that all year-to-year dependency status changes be flagged on Pell grant student aid reports and that unmarried nonveterans under the age of 22 without dependents of their own be prohibited from changing their status from dependent after they have made an initial application.

Among all 1982-83 independent Illinois Pell grant applicants this group, again unmarried nonveterans under 22 no dependents, represented only 12 percent of the total. However, among those who had switched dependency status from the prior year, this group accounted for over half of the total increased Pell grant payout. Again, the Pell grant quality control study also highlighted this group as the primary source of incorrectly dependency status. Statistical profiles showed the bulk of the misreporting, whether intentional or unintentional, occurred among younger unmarried students with no dependents, exactly the group we have targeted in our recommendation.

In 1984, the Department implemented only part of this recommendation. All unmarried 1984-85 applicants whose status changed from the previous year were identified and certain of these were selected for validation, but switching was not prohibited. The institution of this procedure prompted the commission to repeat its examination of this issue in light of actual data. Nationally, during academic year 1984-85 the Department's limited cross-year dependency status check system flagged only 21,600 students resulting in approximately 3,400 corrections at an average of about $250 change in the student aid index on each correction, resulting in total savings of probably less than $1 million.

If the cross-year dependency status check system which the commission proposed in 1983 and proposes again today had been fully adopted, the savings in 1984-85 would likely have been as much as $15 million nationally.

Now, initial year savings are limited by the fact that many applicants have already switched their status in previous years and we cannot jump in and switch them back. Therefore, the full savings cannot be realized for approximately three years, by which time all enrolled students would be covered under the new policy. At that time, we estimate that annual savings in excess of $50 million could be achieved. By disallowing higher income families from transferring responsibility for paying college costs to the Federal Government, this significant amount of savings could be redirected to those students who clearly need it most.

Quite significantly, we feel that such a policy is feasible today. No new system would have to be developed. Much of the information required can already be determineed from the current data collected. The current three-question definition could still be utilized and the cross-year edit check mechanism is already in place. I will mention that while successful implementation of this program could be achieved on a stand-alone basis, and that is what we are suggesting, should a new test of independence be desired our recommendation could still be beneficial if introduced in conjunction with certain new definitions such as the 2-year look-back that Ms. Anderson has discussed.

We also strongly recognize the need to protect those students who are legitimately self-sufficient, and feel that our proposal would provide reasonable protection to these students while curbing abuses in independence of convenience. Students who marry, serve in the military or who become responsible for dependents are provided the legitimate opportunityy to emancipate themselves financially. So too are those students who reach the age of 22. However, those more traditional dependent students who seek to manipulate the system for their own benefit will find that the system no longer invites abuse.

We share the concerns of Mr. Gladieux, and I would like to point out that our proposal permits but does not make mandatory emancipation at age 22 if it does not truly exist. We agree that the cost of doing that might outweigh the savings from the other portions of the policy. Our position, our recommendation and the evidence supporting our recommendation have not changed during the last 2 years. The current independent student definition is not the problem. The problem is students who apply as dependent and subsequently switch status to independent specifically to increase their eligibility for student financial aid. Again we recommend to you to end the waste created by this manipulation by prohibiting unmarried nonveterans under the age of 22 without dependents from switching dependency status.

I appreciate the opportunityy to appear before you this morning, and I would be happy to respond to any questions that you might have.

[Prepared statement of Thomas A. Breyer follows:]

PREPARED STATEMENT OF THOMAS A. BREYER, ILLINOIS STATE SCHOLARSHIP COMMISSION

Mr. Chairman and Members of the Subcommittee:

My name is Tom Breyer, and I am here today representing the Illinois State Scholarship Commission.

Prior to joining the Commission, I served for three years as Executive Director of the Illinois Independent Higher Education Loan Authority and for four years prior to that, directed the administration of financial aid programs for the Chicago campus of Northwestern University.

The Commission was pleased to be invited to appear before you today to present testimony in connection with the reauthorization of the Higher Education Act. As you requested, our comments today will be addressed only to matters relating to the definition of the independent student.

In addition to serving as Illinois' guarantee agency and secondary market, the Illinois State Scholarship Commission also administers the Monetary Award Program, the second largest state grant program in the nation, which this year will award approximately $123 million to over 100,000 students, after considering approximately 315,000 applicants. Roughly 40% of these recipients are independent students. Because of this substantial investment and because Illinois has successfully "piggybacked" the Pell Grant definitions, procedures (including validation), and central processing system for four years, the federal definition of independence is of great importance to us.

I have been fortunate to have been able to attend a number of the reauthorization hearings so far, and I have heard several themes and concerns echoed throughout. You and your colleagues, Mr. Chairman, have spoken of the overwhelming dominance of the federal budget deficit as an issue; of the "hostile environment for funding;" of the need to achieve more with less. You have spoken of the need to target more grant funds specifically to those who truly need them most, but have made it clear that these funds must come from savings achieved through improved program administration, and not simply through ever greater levels of appropriations. You have spoken of the need to restore integrity to our financial aid programs by reducing waste, fraud and abuse. You have spoken of the need to reemphasize the role of the family in the broad partnership of those involved in the financing of higher education. And you have asked not just for opinions, but for concrete, feasible proposals. I hope you will find the testimony of the Commission today to be addressed specifically toward helping this Subcommittee achieve those objectives.

The independent student definition has been an issue in student financial aid for many years. In October of 1983, the Commission presented testimony before this Subcommittee on the same topic. At the time, the issue was of great interest due to proposed Department of Education changes in the definition of independent student. Recently, interest in the definition has been heightened by increased demand for student aid program funds, uncertain prospects for additional student financial aid dollars, and a renewed national interest in preventing waste, fraud and abuse in government programs.

This Subcommittee has already heard testimony on the subject of error in the Pell Grant Program. Last year, the Department, in reviewing the results of its Pell Grant Quality Control Study, concluded that *wrongly claimed dependency status was the single largest source of applicant error in 1982-83*. While the group involved is relatively small, comprising approximately six percent (6%) of the students claiming to be independent, the dollar impact is large. The Department estimated a net overaward of $64 million for 1982-83 resulting from this item alone.

In addition to avoiding the waste of unintentional error, it is imperative that the government also take additional steps to discourage deliberate "independence of convenience," which allows students to declare themselves independent in an attempt to increase their eligibility for student financial aid and allows higher income families to absolve themselves of their financial responsibilities. Reauthorization provides an opportunity to address this problem.

It was our concern over this problem that prompted the Commission to conduct our research in 1983 to identify Illinois Pell Grant applicants who changed their status from dependent to independent, and to analyze the impact this change had on Pell Grant and state grant eligibility for Illinois residents. At that time we found that, in Illinois, approximately 2,500 unmarried non-veterans under age 22 without dependents, or over 2% of Illinois' independent student Pell Grant applicants in 1982-83, had switched dependency status from dependent to independent. The total year-to-year increase in Pell Grant payouts to these individuals amounted to over $1 million in Illinois alone.

After analyzing the results of our 1983 study, the Commission was invited to appear before this Subcommittee, at which time we urged that the Department of Education institute a new "edit check" procedure, rather than a new definition. Specifically, we recommended that all year-to-year dependency status changes be flagged on Pell Grant Student Aid Reports (SARs) and that unmarried non-veterans under the age of 22 without dependents be prohibited from changing their status from dependent after they have made an initial application.

Among all 1982-83 independent Illinois Pell Grant applicants, this group - unmarried, non-veterans, under 22, no dependents - represented only 12% of the total. However, among those who had switched dependency status from the prior year, this group represented 43% of the total number, and accounted for over 58% of the total increased Pell Grant payout.

The Pell Grant Quality Control Study also highlighted this group as the primary source of incorrectly reported dependency status. Of those students incorrectly reporting dependency status, 91% were unmarried versus 74% of those truly independent; 25% were less than 20 years of age versus 8% of those properly classified; and 71% had no dependents versus 46% for those that truly proved to be self-sufficient. In other words, the bulk of the misreporting occurred among younger, unmarried students with no dependents - exactly the group we have targeted in our recommendation.

In the spring of 1984, the Department implemented only part of this recommendation. All unmarried 1984-85 applicants whose status changed from dependent in 1983-84 to independent in 1984-85 were identified, and certain of these were selected for validation, but switching was not prohibited.

The Department's institution of this procedure prompted the Commission to repeat its examination of this issue in light of actual data.

Nationally, during academic year 1984-85, the Department's limited cross-year dependency status check system flagged only 21,600 students or approximately one percent (1%) of the 2.1 million valid independent student Pell Grant applicants. Subsequent validation of these applications by the institutions resulted in only 3,400 corrections. The Student Aid Index (SAI) on the average correction increased by $250, yielding savings in 1984-85 through the Department of Education cross-year dependency status check system of probably less than $1 million. If the cross-year dependency status check system which the Commission proposed in 1983, and proposes again today, had been fully adopted, the savings in 1984-85 would likely have been as much as $15 million nationally.

Initial year savings are limited by the fact that many applicants have already switched status in prior years and cannot be "switched back." Therefore, full savings cannot be realized for approximately three years, by which time all enrolled students would be covered by the new policy. At that time, we estimate that annual savings in excess of $50 million could be achieved. By disallowing higher income families from transferring family responsibility for paying college costs to the federal government, this significant amount of savings could be redirected to those students who clearly need it most.

Such a policy is feasible today. No new system would have to be developed. Marital status, veteran status, age, and number of dependents can already be determined from the current data collected. The current, three question definition could still be utilized. And, the cross-year edit check mechanism is already in place. While successful implementation of this program could be achieved on a stand-alone basis, should a new test of independence be desired, our recommendation could still be beneficial if introduced in conjunction with a new definition, such as a two-year lookback.

We recognize the need to protect those students who are legitimately self-sufficient, and feel that our proposal would provide reasonable protection to these students while curbing widespread abuses in independence of convenience. Students who marry, serve in the military, or who become responsible for dependents are provided the legitimate opportunity to emancipate themselves financially. So, too, are those students who reach the age of 22. However, those more traditional dependent students who seek to manipulate the system for their own benefit will find that the system no longer invites abuse.

Our position, our recommendation, and the evidence supporting our recommendation have not changed during the last two years. The current independent student definition is not the problem. The problem is students who apply as dependent students and subsequently switch dependency status to independent specifically to increase their eligibility for student financial aid. Again, we recommend to you to end the waste created by this manipulation, by prohibiting unmarried non-veterans under the age of 22 without dependents from switching dependency status.

I appreciate the opportunity to appear before the Subcommittee, and I would be happy to respond to any questions that you may have.

Mr. FORD. Otto Reyer.

STATEMENT OF OTTO W. REYER, DIRECTOR, FINANCIAL AID, UNIVERSITY OF CALIFORNIA, IRVINE

Mr. REYER. Thank you, Mr. Chairman. I was notified last week if I could come back and testify during the NASFAA conference and do not have written testimony to submit, but will answer questions.

I would make some comments regarding the California definition regarding student financial assistance and independence. The first comment I would make is the history of the development of that additional 2 years verification beyond the Federal criteria. The reason behind that was a student who claimed independence in graduate school and it was discovered that this particular student was the child of a very top administrator in higher education in the State of California. The student lobby then pushed for the additional 2 years of verification to go back, and that is the history behind the additional 2 years.

I agree if you come up with any criteria it is going to be arbitrary, one that we get to administer on the campus. And there is nothing we love more than giving arbitrary decisions to parents as they come in our office.

Ms. Anderson mentioned the frugality of New England. I think we have other parts of the country that are frugal. California tries to do it with an additional year.

At what age we determine dependence is a big question mark. I have a real problem with any age. If we come up with 22 or 25 or 29 or 14 or 16, I don't know what the right one is, and that is a problem for me. Because we can leave out other things, also. We say marriage is one of them that has been discussed about. How many 18-year-old marriages will we have so students can qualify for financial aid? Are we going to change the morals based on this issue?

The study of the population change that you do mention is a question mark, and I think that is one of the things that has to happen. I think we need to study the issue. When the change of the 22-year age criteria came out I did an analysis very quickly on our population at the University of California, Irvine to see what the shift was. And in my statistics the amount of need would go up, regardless of where the funding is, a little less than 10 percent. And an analysis of that 10 percent was rather interesting in that the need would go up for undergraduate dependent students turning to independent students; the need would go down slightly for the undergraduate independent students who would become dependent; and the need would go up for the graduate dependent student who became independent. The total dollars that we are talking about in need are $1,480,000-plus and the total change in 123,000, but it is a shift. It is not that much of a difference in total dollars, but it shifts as to who is receiving the dollars. And I think we need to know what those shifts are before we determine what the policy is. We need to know what the effects of that change might be on our students.

This is just an aggregate study that I did. It didn't determine whether that change would affect certain populations within the university. I think if there is one recommendation I would make it would be to study the issue more than anything else.

I will answer any questions.

Mr. **Ford**. Thank you. Ms. Anderson, I notice in your testimony that what you came down to was what I had heard was a real tough system which qualified 90 percent of the people that the Federal system qualified. Isn't that what you said? So, in effect, if we applied your Vermont test as a Federal test, we would knock out 10 percent of the students in Vermont?

Ms. **Anderson**. If I may reply briefly to that, Mr. Chairman. I think that is a conservative figure. The figures that I am presenting to you do indeed show that 10 percent. The reason I say that it is conservative is this is a longstanding program in Vermont. In other words, by osmosis people know not to apply for independent students status through high school guidance counselors, financial aid officers—are all aware of the Vermont definition. So I think that fewer people in Vermont apply as self-supporting than would be the case in other States that do not have a State definition in place that is more restrictive.

Mr. **Jeffords**. If the gentleman would yield here, I would point out that in your testimony only 18 percent of our grant recipients are deemed independent students versus what appears to be an average now of close to 50 percent. I would also point out that Vermont has one of the lowest per capita incomes in the country and one of the highest costs for institutions. So there is an interesting contradiction, that ought to be explored.

Mr. **Ford**. When you are talking about the part to which you apply the Vermont test, is that State money?

Ms. **Anderson**. Yes.

Mr. **Ford**. Do you give that money to a Vermont resident who goes to Massachusetts to college?

Ms. **Anderson**. Yes, we do, sir.

Mr. **Ford**. So that includes all college aid whether they attend school in Vermont or not?

Ms. **Anderson**. Well, the test, 2-year look-back, applies only to the Vermont State grant funds. The institutions needless to say, some institutions have very rigid definitions and under the Uniform Methodology.

Mr. **Ford**. Does Vermont grant funds go to a student who goes to Harvard?

Ms. **Anderson**. Absolutely.

Mr. **Ford**. All right. So it does apply to any student from Vermont who receives money from that fund?

Ms. **Anderson**. Absolutely.

Mr. **Ford**. Mr. Gladieux, could you tell us who wrote the study that you quoted from that was delivered at NASFAA? I would like to look at it.

Mr. **Gladieux**. Yes. It was conducted by Stewart Bethune. He is at the University of North Carolina, Chapel Hill. And he presented the results yesterday at the convention of NASFAA. He presented a number of tables on characteristics of independent students in the sample.

Mr. **Ford**. Well, the thing that catches my eye is that his sample was 2,000 students. There are 12 million out there, 6 million of them getting aid. Two thousand leaves me a little concerned about what kind of a sample 2,000 selected in any manner of random sample is out of a sampling that big. That is why I would like to look at the study and see if he just took a handy 2,000 or did he take somebody's statistically computed random sample in a fashion that would project it with a plus or minus——

Mr. GLADIEUX. It was only suggestive, but it was a very systematic sample.

Mr. FORD. But you see a systematic poll of 2,000 people isn't going to tell you a thing unless the person who puts that sample together for you knows how to pick the 2,000 people so that they will be, in fact, representative of the broader population that you are trying to sample the facts on. If you could do it by 2,000, we could save a couple billion dollars every 10 years in taking the census. We don't go through the agony we go through every 10 years because everybody likes to spend the money and it is fun; it is because nobody has been able to figure out how to do that statistically. And even the topnotch pollsters will tell us when they come into our congressional district we can tell you plus or minus 5 percent how people feel about a given issue, but you have got to let us study the population first so that we can determine what a statistically valid size the sample will have to be and then how it will have to be selected. They don't just go out and grab the first 1,000 people they can find at a supermarket. They deliberately scatter it around so that they feel on the basis of what they as professionals can analyze will do it.

And I would like to look at it because he reached another conclusion that went a little further than yours. You said that out of the 2,000 he found that 10 percent of the independents had conspired with their parents or at least discussed with their parents changing the parents' treatment of their tax deduction. So that means 5 percent of the total students did that. In other words, only 5 percent of all of the students getting aid, if you extrapolate it out, would have engaged in that practice. Now, I don't acknowledge that 5 percent is not serious, but it doesn't look as bad as 10 percent does. And when you look at the universe of the student population, all he was able to conclude was of those who had succeeded in attaining independent status, 10 percent of those out of his 2,000, that had been a factor in it.

The other thing I would like to ask you is whether any of you know if anybody has done any demographic studies that would tell us anything or do we have to get it constructed for us by census and the Library of Congress from scratch, that would tell us anything about the characteristics of these age cohorts we are talking about?

Ms. ANDERSON. If I may respond to that, Mr. Chairman. We are in the process of doing enrollment projections in Vermont, and we are looking at exactly those variables. We are going to the current population statistics and are in the process of ferreting out what the population is going to look like both on an age level and gender level 10 years down the road. I would be happy to share that with the committee when we have the results.

Mr. FORD. Earlier in the hearings we touched on the subject of child care. We had representatives of major women's groups who delivered into this record substantial volumes of studies showing that indeed the characteristics of female college students have changed and there are more single parent females in college and that is the reason why they say we need to put more attention on getting day care facilities to provide for even more who would be in college but they have no place to leave their child.

That is something that nobody was even talking about 5 or 10 years ago. And to the people who were here before the committee it was an important demographic change that was taking place in the present and anticipated student population in the country that they wish to draw our attention to. And I think we have to ask somebody that can at least with some degree of precision look at the numbers that are already available. The 1980 census is really marvelous in the detail that it contains and the ability to extract that detail quickly through talking to the computer. We are going to ask them to design for us some kind of a quick study they can do on the basis of what is already in that and then try to apply that to the age populations.

Frankly, I don't see that if we adopted NASFAA's original proposal, which they now seem to have some discussion about, and change the age to 25, I would find that offensive in any way except the problem of people immediately seizing on the idea that that was going to increase the paperwork burden by increasing the universe of people who are subjected to the specific analysis. But I don't find the age 22 magic or in any way really preferable if you have the practical kinds of other factors in there that are in ACE's proposal and NASFAA's original proposal. I get very nervous about age 22 or 21. But 25 doesn't bother me if it has those other factors taken into account. And I suppose we can determine really how many people you are talking about adding to the process between 22 and 25.

The reason that 22 has become so commonly referred to here is that that is the point the administration started out with. And they started out with that with a budget they sent up here that claimed that if you adopted age 22 you would save all kinds of money. Now you wouldn't shift all kinds of money to needy students, you just get rid of that expense for the Government. And so immediately we looked at 22 and said, well, if you are going to take that much money away from students by using age 22, we better have a close look at this.

What ACE and others have come up with is a way to use the administration's desired age of 22 in a very practical way. And while you didn't comment favorably upon that, I would ask you would your mind change if we took their criteria other than age and used your age 25?

Mr. GLADIEUX. If I understand your question, I would go along with the recommendation of ACE and several groups for age 22 and below. I just don't agree with the total emancipation over age 22. I would push that up to 25, and yes, I would go along.

I think there is substantial agreement on the principle of age criteria. I think age 22 does have more currency than just having been proposed by the administration. Simply the fact that ages 18 to 22 are the traditional years spanning undergraduate education——

Mr. **Ford**. Oh, I worry whenever I hear "the traditional years" because the numbers aren't there. Undergraduates now at Wayne University in Detroit average 28 years old. Undergraduates. So you know, that is the average age. That means that half of them are above that age. That is one of the principal State universities of our State. It is an urban university, and you won't find that to be too uncommon in the big urban centers. One reason is that people who started working when they were 18 in Michigan saw their jobs disappear to Japan and other places.

Now I want to ask you about this idea of prohibiting a change in status after a student starts. At first I thought when you said after the initial choice that you were talking about a current school year, but I gather that what you are really saying is that, if you start as a freshman as a dependent student, you are presumed to stay dependent for your whole career?

Mr. **Breyer**. Correct. Or until you meet some of those criteria which——

Mr. **Ford**. Under what circumstances could you allow someone to shift during college years from dependent to independent?

Mr. **Breyer**. We would permit it if they became married, if they went into the military, if they had became responsible for a dependent of their own, or if they reached the again somewhat arbitrary age of 22. But again I would like to emphasize——

Mr. **Ford**. Now you talked about a study. How many of the people at the same time they change from dependent to independent also change schools?

Mr. **Breyer**. I couldn't tell you that.

Mr. **Ford**. Well, for example, I am going to a nice cheap community college that I can get to by public transportation. I get the bug, and I say, "Dad, I want to go to the State University." He says, "I can't afford it. You bum, you're getting a good enough education at the community college. You want to go up to Michigan and live in a dormitory, drink beer, and be a college boy, do it on your own." Now what do we do for him? Tell him he can't go to Michigan? He didn't know about Federal aid when he started the community college. He discovers the Federal aid after he is there. And if you ask him when he started, he says, "Sure, the old man says I can live at home, put my feet under the table, use the car on Saturday nights as long as I keep my nose clean and stay out of trouble." So he is being supported by the family in his educational opportunity. But if he makes a choice that the family feels is putting too much strain on them, they say, "Buster, you're on your own." Now what do we do about him?

Mr. **Breyer**. Well, I think this is a problem that exists and exists certainly apart from our recommendation. You talked about other cases earlier——

Mr. **Ford**. I understand that. But would you not want to permit a student aid officer at the University of Michigan to talk to the student and find out this was the case?

Mr. **Breyer**. I would say that first of all this is a matter of choice and it is more a family problem than a financial aid problem. The student upon meeting certain other criteria, maybe the student has to go——

Mr. **Ford**. All right, let me give you another example.

Mr. **Breyer**. Sure.

Mr. **Ford**. And this one is very common in my district and Mr. Dingell's.

A steelworker, 25 to 30 years' seniority making $35,000 to $40,000 a year. The steel mill is shut, gone never to return. And that happens in the middle of your college career. Would you change the status then? The ability of that parent to help a child in college just absolutely disappears, just like a bankruptcy of a small businessman. What about that kind of a change?

Mr. **Breyer**. I think that would be reflected more so than the first case. The cornerstone of financial aid is looking at ability to pay rather than willingness to pay. In the first instance you had a case where there may have been ability but there was not a willingness, and that is very difficult for us to address. In the second case there was a clear change in the ability of that family to pay.

Mr. **Ford**. Under the present system it doesn't show up. Because if you now would extend it to 3 years and for the previous 3 years that working father making $35,000 to $40,000 a year was declaring that person as a dependent, and now something happened. There was no choice exercised by either the student or the family. Now should the system be blind to that kind of a happening and say, "Well, I'm sorry. You were dependent on a working father when you came to school but the fact that he is dead, for all intents and purposes, because his ability to earn money is gone, is of no consequence to us"?

Mr. **Breyer**. It is not blind to that. It does not take it into account in that it will change the student's dependency status from dependent to independent. It will still consider the student dependent. However, the parental contribution will drop as the family income drops. So where previously that family may have been expected to contribute $3,000 out of that fairly comfortable income, when that income drops the expected family contribution can drop accordingly. So while they may still be considered——

Mr. **Ford**. Except that the family contribution tax is not that sensitive.

Mr. **Breyer**. I think if the parent is unemployed——

Mr. **Ford**. What we are talking about here is that it is not the family contribution schedule that shifts the money around, it is the status of dependency or independency that shifts the most money rapidly. And that is a far more important factor than adjusting family income down on that taxing base, isn't it?

Mr. **Breyer**. Generally the shift from dependent to independent is almost invariably a very dramatic shift because you are taking the family's entire income, excluding it; and if the student is attending school full time, probably has very little income of their own. When you take a student who is dependent but has a change in family income circumstances, you are going to get a whole rainbow of experiences as to how dramatic that shift is. However, if the shift in family income were from $35,000 down to nothing or from $35,000 to $12,000, if that individual took a part-time evening maintenance position, I think you would find that the system would indeed for that specific individual show a very dramatic reduction in expected family contribution.

Mr. **Ford**. I don't want to take any more time, but when we were in Mr. Tauke's district in Iowa the phenomenon of the foreclosures of Iowa farms was brought in by a discussion I had with students who told me about the impact it was having on kids in school where the farm was still an asset. Even though the sheriff had posted the papers and they were going to take it away and sell it for less than the amount of money that was owed on it, the family still had assets. For all intents and purposes, they were on their way to the poorhouse because all of their assets were outweighed by their indebtedness, and that is the disaster that has occurred out there. They are all over—not all, but many of them are overborrowed on the true market value of the asset that is a security.

I can't see how we could safely write a prohibition such as you suggest that would not let anybody take into account those kind of variables that occur during a lifetime. You know, I went from being a happy-go-lucky young veteran with a working father in my freshman year of high school to returning to Michigan to become a substitute for my father in helping to support the family and working in a factory and going to Wayne University just because he died. We didn't have to choose that change in my college career. And when you talk about college as 4 short years where not much in your life changes, it really frightens somebody like me because your life can change very dramatically in that 4 years. And you just look at your friends and acquaintances around you, the reasons why they shift from one school to another are more important considerations generally than just a kind of a whim.

Mr. **Breyer**. I think our policy does recognize certain exceptions, which I have already indicated, that are major changes in the life of the student, and the current system contains a mechanism for dealing with a number of special conditions such as loss of job on the part of the parent, death of a parent. I am not saying in any way that we should circumvent that. I think the same kinds of special conditions should be dealt with, and in terms of maintaining a dependency on the parents but effectively having the expected contribution drop precipitously, I think we have provided adequate exceptions for those students who legitimately do become self-sufficient to emancipate themselves. And by age 22 everyone would at least be given the opportunity to emancipate themselves, although we would not provide, again, blanket emancipation.

Mr. **Ford**. Getting married for emancipation is an interesting kind of a contradiction in terms. [Laughter.]

Mr. **Breyer**. Emancipated from their parents.

Mr. **Ford**. Mr. Coleman?

Mr. **Coleman**. Mr. Gladieux, your testimony is very interesting. I was looking at your distribution by ages. When you are suggesting that 25 years be the cutoff point and you have a subclass of 23 to 30, I assume that there was no distinction between the 23-, 24-, and 25-year-olds in that subgroup that would have skewed one way or another differently than one would see there?

Mr. **Gladieux**. The data from the Pell program was bracketed that way and that is the way I presented it. I was not able to extrapolate anything from that data that led me to the age 25 break in my proposal. It might be worth looking at, though.

Mr. **Coleman**. Well, if you see anything, if you want to go back to the computer and if you see anything differently, let us know.

Mr. **Gladieux**. I think it exists and we could get it.

Mr. **Coleman**. Thank you.

Mr. **Ford**. Mr. Jeffords.

Mr. **Jeffords**. Thank you, Mr. Chairman.

First of all, I think there is another study that we might like to take a look at which was conducted by the American Council on Education and by some researchers. And again I would agree with you that we ought to check on how the sample was taken. It was done by Scott Miller, which indicates, interestingly, that when you examine the source of money for independent students versus dependent students there is about a $3,000 to $4,000 unexplainable student contribution from independent students, on an average, coming from somewhere—which again is another indication that there may be some inflow from the family or other source which should be looked at.

I would like to make that a part of the record so we can take a look into that matter as well.

[Material appears at end of hearing.]

I would like to comment on the situation which we are examining here, the arbitrary age circumstances, and point out that it seems to me we are faced with some alternatives. One is to clearly establish some rules and expectations of parents and live with the ramifications. The other is to defined the exceptions if we want to do that.

I hope we consider trying to define the social policies we now have. Marriage I admit is an interesting one. In this day and age, it is not bad to have one which will promote marriages. We seem to have enough Federal policies that promote the opposite. Maybe it would be a good idea to have one that promoted marriage.

We have had some interesting testimony today. And, Britta, I want to thank you especially, and Ron Iverson, for all the help you have given to me and Senator Stafford in trying to understand what is going on here and to, hopefully, better define that policy.

I would ask Mr. Reyer and Ms. Anderson whether or not you have or need exceptions as was pointed out by the chairman of the committee? It seems to me that if you go the 2- or the 3-year look-back route, for administrative ease that makes it a fairly good system to use, but that you perhaps should cast the burden on someone who thinks they are in need of an exception. Under the circumstances of the chairman to then have the burden of coming forward and say, "OK, I wasn't taken as a dependent for 2 to 3 years back; however, circumstances have changed," or in those areas where there is a switch in status that there is some reason given. Do you have those kinds of safety valves involved or should we build one into a policy?

Ms. **Anderson**. Yes, we do. They are not in our written policy, per se, and perhaps they ought to be. But let me explain briefly how they work out.

In Vermont, our policy is that we do not subsidize marriages. And less people misunderstand that, the fact that a person under 22 years of age gets married does not automatically ensure that they will be deemed independent for student aid purposes. We continue to look back and see what their parents are able to contribute. We only look back 1 year instead of going back 2 years. That is our concession in that particular area.

We also have an informal——

Mr. **Ford**. You are not going to promote a lot of marriages in Vermont. [Laughter.]

Ms. **Anderson** [continuing]. We also have an informal age cutoff of age 25 at which point we no longer ask for the parental information, and I think that that is something could perhaps be formalized, but that is, in fact, how it works out. And as I alluded to finally in my testimony, what we do is we realize that we are dealing with people at all times. We are not dealing with numbers. We are not dealing with a Social Security. We are dealing with people who may have extreme hardships who may, as the chairman alluded to, have lost their livelihood entirely, who may be in circumstances such that there is no way for them to obtain an education unless the funds are made available either through a change in the definition of their dependency status or a change in the amount of aid that they are eligible for. We call that financial aid judgment, and I think that it is very important that any legislation that this Congress passes on this issue has a safety valve built into it that will allow for the student aid officer or for the person who is working on the State level or in the Department of Education, if you will, to, based on responsible judgment by the person who distributes the aid, there is a mechanism for waiving some fairly strict requirements.

Now it is always difficult to assume that this is always going to be applied equitably across the board. But unless we have that we are putting I think the youth and the older people of our country in a position that we cannot really defend.

Mr. **Jeffords**. Thank you. Just one follow-up. I know you are going into this statistical information, but do you have any breakdown by age of the 18 percent that are independent students?

Ms. **Anderson**. I will be most happy to provide that to the committee. I do not have that with me, but I will be happy to forward that information.

Mr. **Jeffords**. And do you have any reason why Vermont's percentage of those applying is so much lower than the national average?

Ms. **Anderson**. Well, looking at our Pell grant applications as well as our Vermont incentive grant applications, we have a much lower percentage applying as independent students in Vermont than the national figures seem to indicate. I think the reason for that is that the policy has been in place for a long time and, as I mentioned before, the realization on the part of parents and also on the part of financial aid officials is that this 2-year look-back is being scrutinized very carefully. It is being verified through taxes, and there is just no way to get around it. So that is my—you have in effect a policy that has seen an implementation period of a long time and it has become part and parcel of the financial aid process. I think that is the primary reason.

I think that on a demographic level, and we will certainly look at that, I think that our population pretty much mirrors the rest of the country in terms of age groups, et cetera, et cetera. But that might also have some impact and we will look at that. I would be happy to forward that.

Mr. **Jeffords**. I appreciate the pat on the back for Vermont, but I would like to point out that if you are correct in your analysis what kind of a condemnation is that for the rest of the country. There is some other explanation than that one you give. And I do realize that our parents are more wonderful than any other people in the world, but there may be another explanation.

Mr. Reyer, would you comment, please?

Mr. **Reyer**. With regard to the safety net, it is difficult on the Federal criteria because it is pretty cut and dried. The State criteria gives us a little more flexibility. And then we get down to the institutional level, as Ms. Anderson says, we deal with people, we don't deal with your criteria. For some reason the people actually show up in our offices. And the concern that I would have is there is many times it is going to be a professional judgment call. The question of the student who comes in and says that the mother and father will no longer supply support because of the living arrangements he or she has made at the university, now all of a sudden support is not flowing from the parents' home. Is that a reason for independence? I don't know. For some people it is. For other people it isn't. It depends on your moral judgment.

We also have the student who does come in with that particular situation that is a real problem. You have abuse at home. You have all kinds of problems that do arise. Those students we at the University of California are going to make sure get support. It may not come from the Federal Government. It may not come from the State government. But it certainly is going to come from the university because those problems are there. And we document them. And we have to document them for our own money because we want to make sure that that dollar is going to support students.

But you get into so many gray areas in the office as to who you are trying, you know, to support in terms of student aid. The student that comes in and says at 17 years old, "Here I am at the university. I am independent."

"What do you mean you're independent?"

"I left home. I am now independent."

And then you go through the long explanation. A lot of questions arise. And I am not so sure we can make decisions on age criteria or the current criteria. I am not so sure it has been studied enough to know what it is, and I have been in the field for 13 years. When I go out to parents one of the first questions that comes up: How do I make my son or daughter independent? It comes a lot, it really does. It is out there.

Mr. **Jeffords**. Thank you very much.

I have just one final comment. I think that it is important for us—to establish what the rules and regulations are and what the expectations are for parents for the immediate future. Further, I would like to say that as we into the year of the time of tax reform, which may or may not ever occur, it is time for us to be thinking not only about what we are spending on the budget, but to see what we can do. Let me point out that from my analysis education right now, directly and indirectly, across the board is getting some $22 billion in tax expenditures. Under Treasury II that drops to about $2 billion. We have about $20 billion in there that we ought to be willing to spend in some way. And I would just offer a challenge to you to come back with some ideas as to how we can spend our $20 billion before we pass out tax reform. And I issue that challenge to anyone in the room here.

I plan to try and do it. I have never had such an opportunity to do anything like that before.

I think we are in a very difficult area, but I think it is an area that needs our attention, not only just for the immediate reauthorization but as we move into the decade and century ahead. Thank you very much.

Mr. **Ford**. Thank you.

Ms. Anderson, I am particularly impressed with the importance of any statistical studies that you are doing because Vermont is probably the most overrepresented State in the country when it comes to making higher education policy. [Laughter.]

Half of the reason is sitting over there, and the other half sits on the other side of the Capitol.

I wish you would look at some of the things that Jim has suggested. How much of your student population compared to the national average is minority population? And how many of your students live away from home while they are going to school compared to the national average? Things of that kind. What makes Vermont appear to be unique other than numbers? What really lies behind the numbers? If you drop the idea that there is a moral difference or put that aside a little bit and start looking for the others, what are they?

Ms. **Anderson**. May I just briefly comment, Mr. Chairman?

Mr. **Ford**. The difference between 18 and 50 percent cannot be accounted for by cheaters.

Ms. **Anderson**. That is correct. But less I have given the impression that we have a cloud with a silver lining in Vermont, I think that the reason that I wanted to give and wanted to state for the changes and the differences is not that people necessarily are angels in the State, but rather that the enforcement procedures as such and have been such over the years that people through word of mouth—it is a small State, half a million people—have generally become discouraged in terms of trying to accomplish something which they knew they would get caught at eventually. And when we realize that we are dealing with a very small population, I certainly take your comment and very seriously and will be happy to provide information as to the demographics. While we have no substantial minorities in the State, we are what I consider a relatively poor State, not to say very poor State, and although minority problems are not necessarily exactly the same, the poverty problems certainly mirror those of the rest of the country, if they are not exacerbated in Vermont.

We will be happy to provide any and all help that we can on any of the issues that are going through on the reauthorization, and certainly we will be in touch with both you and your staff as we move along.

Thank you.

Mr. **Ford**. Thank you.

Mr. Bruce?

Mr. **Bruce**. No questions for the panel. It is very informative.

Mr. **Ford**. All right. We move along to the next panel. Thank you very much for your help.

Jerry Donaway, president of the National Accrediting Commission of Cosmetology Arts and Sciences; and Mary Jane Bond, financial aid director, Wayne County Community College.

Mr. Donaway?

STATEMENT OF JERALD W. DONAWAY, PRESIDENT, NATIONAL ACCREDITING COMMISSION OF COSMETOLOGY ARTS AND SCIENCES, REPRESENTING AMERICAN COUNCIL ON COSMETOLOGY EDUCATION

Mr. **Donaway**. Thank you, Mr. Chairman.

I am Jerald Donaway, president of the National Accrediting Commission of Cosmetology Arts and Sciences, or [NACCAS]. NACCAS has been recognized by the U.S. Department of Education for more than 15 years and currently accredits more than 1,500 cosmetology schools.

Mr. Chairman, NACCAS appreciates the opportunity to present its view on the ability-to-benefit criterion for a student's admission to and qualification for financial aid. The administration has recommended elimination of this category of financial aid recipient. NACCAS vigorously disagrees. Congress was indeed correct in determining that some students without a high school diploma or its equivalent can benefit from postsecondary education and that these students should be given the opportunity for postsecondary education afforded them only by the availability of Federal student financial aid.

In NACCAS' experienced view, the ATB student has the most to gain from vocational postsecondary education. Conversely, these students and society in general have a great deal to lose if this criterion is abandoned. Eliminating this class of student will disenfranchise hundreds of thousands of students from Federal aid to education, deprive the most needy sector of postsecondary education of financial assistance, prevent institutions from even attempting to educate such students without financial aid unless they wish to forego any title IV aid, and yet not improve the Pell grant administration, nor student loan defaults, nor any other institutional problem in the slightest.

If there are problems within the institutions in the administration of Federal financial aid, then Congress, the Department of Education, and the accrediting commission should work together to cure these problems. Such problems should not automatically cut off desperately needy students from student financial aid.

Mr. Chairman, who are these students? These students are predominantly economically disadvantaged individuals who therefore have the greater need for both education and financial aid. Statistics show that there are millions of individuals who potentially qualify for Federal financial aid under the ATB criterion and who would be capriciously excluded from such aid by the limitation of that criterion. Included in this group are both young, nonhigh school graduates as well as nontraditional students. And I know you have heard a lot of testimony about those in the last few days.

Hundreds of thousands of students are currently admitted as ATB students in proprietary postsecondary tax-paying educational institutions. Based upon recent surveys, AICS estimates that approximately 125,000 students in their institutions were admitted under the ATB standard. NATTS estimated that approximately 89,000 of their students are ATB. And NACCAS projects that almost 46,000 of the total number of students enrolled in cosmetology schools, or more than 30 percent of our enrollment, are admitted as ATB students.

A recent survey by the National Commission on Student Financial Assistance showed that aid recipients in proprietary schools were predominantly single, low-income, minority women. The survey demonstrated that Pell grants were the single largest source of financial assistance for students at NACCAS and AICS schools. Furthermore, the study concluded that as a group aid recipients at proprietary schools seem to be the least advantaged in the postsecondary sector.

The data in those studies evidences that ATB students are at the same time the most in need of financial aid and the best able to benefit both themselves and society through a postsecondary education.

As noted, Congress has mandated that ATB criterion is an educational determination, not a statistical litmus test. Congress wisely decided that no formula has ever been developed which can infallibly predict success in postsecondary education.

NACCAS-accredited schools use several methods to make the determination that students do indeed have the ability to benefit, including tests, interviews, letters of recommendation, minimum schooling requirements, probationary periods, referral by State agencies, and the taking of remedial courses. The cosmetology industry has developed a series of aptitude tests which are accepted and used nationwide.

NACCAS is convinced, as was Congress, that determination by proprietary schools of the ability-to-benefit admission are sound educational policy decisions which enable tens of thousands of students who would not otherwise have an expectation of postsecondary education to pursue such a course of training.

NACCAS also strongly disagrees with the conclusions and recommendations advanced by the General Accounting Office in its 1984 report. The GAO's findings and recommendations are predicated on an analysis which is superficial, one dimensional and unrealistic in the extreme. The GAO based its conclusions solely on its assertion that ability-to-benefit ones had a higher dropout rate than students with a high school diploma or GED certificate. And I believe the panel behind me will discuss that in more detail for you today.

Dropout rates, particularly when measured at only one point in time, provide little information about a school's admission requirements and practices. An analysis which relies upon dropout rates without determining the reasons for failure to complete training does a disservice to both the students and the institutions because it fails to consider whether the students or institutions have been subjected to circumstances beyond their control. There are numerous reasons why students may not complete training. Reasons which the GAO completely ignored. For this reason alone, the GAO analysis is highly superficial.

The GAO report is defective in a second respect. The report fails to put dropout rates in their proper educational context. Dropout rates must be examined in light of the population which is the subject of the analysis and in comparison with dropout rates in other types of postsecondary education. Students in private vocational training are generally considered to be high risk, and this is especially true of the ATB student. ATB students should not, perhaps, be expected to complete training at the same rate as students with high school diplomas. Nevertheless, Congress specifically recognized that many economically and socially disadvantaged students have the potential to benefit from postsecondary education and that opportunity should not be denied to them.

Even assuming that the GAO's finding is accurate, as compared to completion rates at other types of postsecondary education schools, this rate is not so low as to demonstrate, without more, a need for more stringent admission requirements or indeed the elimination of the entire ATB criterion. In occupational programs offered by noncollegiate, noncorrespondence postsecondary education schools the average completion rate was found to be 53.7 percent, private proprietary institutions had a 61 percent completion rate, and public institutions had a rate of 37 percent. Taken in the context of the dropout rates for other postsecondary education sectors, the dropout rate asserted by the GAO is certainly a matter of concern to us all, but is not so out of line that a Draconian termination of the ATB criterion is necessary.

The recommendations of the GAO are unrealistic and they imply that there exist a magic formula by which an institution can identify in advance students who would complete training. As an accrediting agency, NACCAS must be guided by reality. Some students expected by test results will succeed, some will not. Some predicted by tests to fail will become successful.

For the foregoing reasons, neither the conclusions reached by the GAO nor the recommendations flowing therefrom are valid. More important, the superficial analysis conducted by the GAO does not justify disenfranchising hundreds of thousands of students from Federal financial aid or admission to postsecondary education.

NACCAS also cannot overstate its opposition to the administration's recommendation to eliminate this category. This recommendation is unnecessary overkill, is contrary to early administration statements, and indeed penalizes students for institutional errors. Even if one accepts the administration's allegations of abuses, their recommendation to abolish this classification is Draconian. Furthermore, the gossamer promise that undefined abuses will be reduced is certainly not sufficient to justify to disqualify very needy students from financial aid. Put another way, the suggestion that the only sure way to prevent abuses in financial aid is never to provide any aid at all is a solution NACCAS finds to be absolutely unacceptable.

NACCAS has a final simple reason why it opposes the administration's recommendation, and that is that hundreds of thousands of students would be disenfranchised from the student aid programs. The students in this group are, as we have shown, the most in need of a leg up in our society. The social benefits of educating a high school dropout so that he or she is a productive, employable, tax-paying citizen are undeniable. To eliminate this group from Federal aid to education is to sound the death knell for equal access. NACCAS schools have been educating high risk students for entry-level jobs for decades, and they do their job well. Now is not the time to turn our back on those who need our help the most.

Thank you, Mr. Chairman.

Mr. FORD. Thank you very much.

[Prepared statement of Jerald Donaway follows:]

PREPARED STATEMENT OF JERALD W. DONAWAY, PRESIDENT, NACCAS, NATIONAL ACCREDITING COMMISSION OF COSMETOLOGY ARTS AND SCIENCES

Mr. Chairman, I am Jerald W. Donaway, President of the National Accrediting Commission of Cosmetology Arts and Sciences ("NACCAS"). NACCAS was established in 1968 and has been recognized by the Department of Education as an accrediting agency for cosmetology schools since 1970.

Approximately 1,500 schools are currently accredited by the Commission. These schools have a combined enrollment of over 100,000 students representing a broad spectrum of racial, economic, and social backgrounds. The schools accredited by NACCAS are tax-paying, private vocational institutions. Although the majority are corporations, there are also numerous partnerships, sole proprietorships, as well as family owned and operated schools. As is the case with all non-public institutions, the schools are either entirely or primarily dependent on tuition in order to operate.

NACCAS offers institutional accreditation. That means that all of the courses which train students in the cosmetic treatment of hair, skin, and nails are closely evaluated as part of the accreditation process. Through this accreditation program, NACCAS discharges its duty to the government, public, students, and schools to ensure that cosmetology education is of high quality and worthy of public trust and confidence.

Mr. Chairman, NACCAS appreciates the opportunity to present its views on the "ability to benefit" ("ATB") criterion for a student's admission and qualification for financial aid. The Administration has recommended elimination of this category of financial aid recipient. NACCAS vigorously disagrees. Congress was correct in determining that some students without a high school diploma or its equivalent can benefit from postsecondary education and that these students should be given the opportunity for postsecondary education afforded to them only by the availability of federal financial aid.

In NACCAS' experienced view, the ATB student has the most to gain from vocational postsecondary education. Conversely, these students and society in general have a great deal to lose if the ATB criterion is abandoned. Eliminating this class of student will disenfranchise hundreds of thousands of students from federal aid to education, deprive the most needy sector of postsecondary education of financial assistance, prevent institutions from even attempting to educate such students without financial aid unless they wish to forego any Title IV aid, and yet not improve Pell grant administration, nor student loan defaults, nor any other institutional problem in the slightest.

If there are problems with institutions in the administration of federal financial aid, then Congress, the Department of Education, and accrediting agencies should work together to cure those problems. Such problems should not automatically cut off desperately needy students from financial aid.

Legislative History of Ability to Benefit

Current law provides that a proprietary institution qualifies as an "institution of higher education" and that its students may receive federal financial aid. These institutions may admit as regular students "persons who are beyond the age of compulsory school attendance in the state in which the institution is located and *who have the ability to benefit* from the training offered by the institution." 20 U.S.C. § 1088, § 1141 (1984) (emphasis added). Department of Education regulations require that an institution which admits such ATB students must "develop and consistently apply criteria for determining whether these students have the *ability to benefit* from the education and training offered." In addition, "[a]n institution must be able to demonstrate, upon request of the Secretary, that these students have the *ability to benefit*." Student Assistance General Provisions, 34 C.F.R. § 668.6 (1984) (emphasis added). The inclusion of the ATB classification represented a significant advance in preexisting higher education law.

Prior to 1976, a school qualified as an "institution of higher education" under the Higher Education Act of 1965, as amended, and its students were eligible to receive financial aid, if that institution admitted "as regular students *only* persons having a certificate of education from high school or the recognized equivalent of such a certificate." Higher Education Act, § 1201 86 Stat. 260 (1972) (current version at 20 U.S.C. § 1141 (a)(1984)) (emphasis added). In the Education Amendments of 1976 (Pub. L. 94-482, Oct. 12, 1976, 90 Stat. 2167), Congress specifically included within the definition schools which admit as regular students persons who are beyond the age of compulsory school attendance in the state where the institution is located, *and who have the ability to benefit from the training offered by* the institution. The Committee on Education and Labor said at that time that "such 'ability to benefit' is, of course, a matter for the institution, and not the Commissioner, to determine." H.R. Rep. No. 1086, 94th Cong., 2d Sess. 23 (1976). Furthermore, the Conference Report stated: "by adopting this change in the Higher Education Act, the Conference Report will reflect what states have already decided and reflect the fact that many individuals who have not completed the formal requirements for high school are nevertheless qualified for and could benefit from various kinds of postsecondary education." H.R. Rep. No. 1701, 94th Cong. 2d Sess. 209 (1976).

In the Middle Income Student Assistance Act enacted in 1978, the Congress clarified that the ATB classification was intended to apply to proprietary institutions. Pub. L. 95-566, Nov. 1, 1978, 92 Stat. 2402.

Regulations were promulgated in 1979 by the Department of Education which would have required that "[a]n institution must document a student's ability to benefit from the training offered on the basis of a standardized test, other measurement instrument, practicum examination, or other verifiable indicators such as written recommendations from professional educators, counselors, or persons who are not employed or affiliated with the institution . . ." 44 Fed. Reg. 5261 (January 25, 1979). These regulations contravened the Education and Labor Committee's clear intention that determination of a student's ability to benefit is an educational determination which may be guided by such criteria as tests but which is not capable of being reduced to a formula.

The Committee revisited the issue of ATB students in 1979 in response to these regulations. In the committee report to the bill which became the Education Amendments of 1980 the Committee stated:

> The Committee wishes to express its displeasure with recent regulations defining the phrase "admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit from the training offered by the institution" as that term is used to define various types of eligible institutions. It is not the intent of the Committee that elaborate requirements such as those contained in current regulations for testing or documentation be used to establish that a student has "the ability to benefit from the training offered." The Committee expresses its confidence in the professional judgment of educators and counselors to determine a student's ability to benefit from the training offered. The Committee is particularly concerned that the onerous requirements of the current regulations will discourage the participation of adult and non-traditional students in postsecondary educational programs which would enhance their employment opportunities and economic contribution to the nation.

H.R. Rep. 520, 96th Cong. 1st Sess. 41 (1979).

As a result of this express Congressional directive, the current regulations were promulgated creating the existing system of ability to benefit determinations which places the responsibility on the institution to develop and apply criteria to ascertain a student's ability to benefit from the educational program.

Who are Ability-to-Benefit Students?

ATB students are predominantly economically disadvantaged individuals who therefore have the greatest need for both education and financial aid.

Institutions in both the public and private sectors currently admit many students who have not received a high school diploma or its equivalent under the ATB criterion. According to the 1980 census, only 66% of the United States population 25 years of age or older has graduated from high school. As of October 1981, the high school dropout rate nationwide for persons 14 to 34 years old is 12.8%. This rate is generally higher for minority students. See, Digest of Educational Statistics 1983-1984, NCES (1983). These statistics show that there are millions of individuals who could potentially qualify for federal financial aid under the ATB criterion and who would be capriciously excluded from such aid by the elimination of that criterion. Included in this group are both young non-high school graduates as well as non-traditional students, including workers in need of remaining employed and older women entering the work force for the first time in order to support, or help support, their families.

Hundreds of thousands of students are currently admitted as ATB students in proprietary postsecondary education programs. Based upon recent surveys, the Association of Independent Colleges and Schools ("AICS") estimates that approximately 125,000 students in their accredited institutions were admitted under the ATB standard. The National Association of Trade and

Technical Schools ("NATTS") estimates that approximately 89,000 of their students are ATB individuals. NACCAS projects that almost 46,000 of the total number of students enrolled in cosmetology schools (30% of the total enrollment) are admitted as ATB students.

The American Council on Cosmetology Education ("ACCE") surveyed its schools early this year and Appendix I to this testimony is an abstract of that survey. The study revealed the following: Of the cosmetology school students admitted under the ATB criterion, 92% receive federal financial aid. The number of students admitted as ATB students in each state generally tracks the enrollment statistics in each state.

The economic, social, and ethnic characteristics of the ATB students are similar to the general enrollment statistics for students in proprietary postsecondary schools. A study of proprietary vocational school students who received financial aid in 1981-1982 was prepared for the National Commission on Student Financial Assistance. This study showed that aid recipients at proprietary schools were predominantly single, low-income, minority women. The survey indicated the following:

> In 1981-1982 about half the aid recipients in proprietary schools were 21 years old or less; about seven in ten were under the age of 26. The great majority (83 percent) were not married. Most attended class for at least 5 hours each day. Over half the aid recipients at cosmetology, secretarial, and business schools were from ethnic minorities. Among dependent aid recipients, 38 percent reported family incomes of less than $8,000 per year; 58 percent reported family incomes of $14,000 or less. Among independent aid recipients, 77 percent had incomes of less than $8,000 a

> year. Women accounted for 60 percent of all aid recipients, though men were in the majority among aid recipients at trade and technical schools.
>
> About 90 percent of the 1981-1982 aid recipients at proprietary schools received some form of need-based aid. Those getting need-based aid were more likely than those receiving non-need-based aid to be single women from low-income backgrounds. In addition, 54 percent of need-based aid recipients, but only 21 percent of non-need-based aid recipients, were minority students."

W. Wilms, *Executive Summary Proprietary Vocational Schools and Federal Student Aid Opportunities for the Disadvantaged; National Commission on Student Financial Assistance* 5-6 (1984) (hereinafter "*Wilms*").

The survey demonstrated that Pell grants were the single largest source of financial assistance for students at ACCE cosmetology schools (50%) and AICS schools (44%). *Wilms*, at 17. Furthermore, Wilms concluded that "[a]s a group, aid recipients at proprietary schools seem to be the least advantaged in the postsecondary sector." *Wilms*, at 43. "The survey also showed the average lowest-cost programs are in cosmetology, and they are also the shortest. Aid recipients in these schools are most likely from the lowest-income, minority families." *Wilms*, at 45.

On May 13, 1985, in New York City this Subcommittee heard testimony from Ms. Janice Rivera, an ATB student who attended a cosmetology school accredited by NACCAS. Ms. Rivera poignantly conceded that her success as a contributing and self-sufficient citizen is directly attributable to her education which was made possible only by the ATB criterion. Ms. Rivera's achievements are duplicated annually by tens of thousands of students who were given the chance to succeed by the financial aid made possible solely through the ATB criterion.

The data in the studies described above evidences that ATB students are at the same time the most in need of financial aid and the best able to benefit both themselves and society through a postsecondary education.

How do institutions determine who has the "ability to benefit"?

As noted above, Congress has mandated that the ATB criterion is an educational determination, not a methodological litmus test. Congress sagely decided that no formula can ever be developed which can infallibly predict success -- i.e., ability to benefit -- in postsecondary education.

The ACCE survey demonstrates that NACCAS-accredited schools use several methods to make the determination that students have an "ability to benefit," including, inter alia, tests, interviews, letters of recommendation, minimum schooling requirements, probationary periods, referrals by state agencies, and the taking of remedial, adult or graduate equivalency degree courses. Examinations are by far the most common ATB determinant; over 90% of the institutions require such tests. Twenty-eight percent require interviews, 8% require letters of recommendation, and 9% have additional requirements such as minimum schooling, trial periods, or remedial instruction. The majority of those schools which require interviews or letters of recommendation require them in addition to, and not in lieu of, an examination.

The cosmetology industry has developed a series of aptitude tests which are accepted and used nationwide, including the Cosmetology Student Aptitude Test by Milady Publishing Corp. (included as Appendix II to this testimony); Cosmetology Student Admissions Examination by Anthony B. Coletti, Director of Cosmetology Research, Training and Development, Keystone Publications; the Cosmetology Student Entrance Examination by RGM, Inc.; and the Pivot Point Aptitude Test by Pivot Point Beauty School. Some institutions require manual dexterity tests as well as mental ability tests.

Passing ratios on these tests range from 70 to 85 percent, with an industry norm of 70 percent. There are, however, many schools which require a grade of 85 percent to qualify as an ATB student.

The accreditation standards of both AICS and NATTS specify requirements for admissions based on ATB determinations. AICS requires a validated test and academic and career counselling; the development and maintenance of records of such testing or other factors used to make the determination; and documentation to evidence the relationship between cut-off test scores and successful academic or employment outcomes. NATTS demands testing, interviews, prior work experience or other measurement indicators, documentation thereof, and periodic studies to document the reliability of the entrance requirements.

NACCAS' accreditation standards require that "[t]he school recruits and admits students who have aptitude, interest, and motivation to learn and be employable ..." and that "[a]dmission requirements are based on an analysis of the abilities needed by enrollees to enter and complete the enrollee's choice of courses in the field. . . ." Standards and Criteria, NACCAS 8 (1985).

After an exhaustive study of the issue, a specially empanelled NACCAS committee has recommended that the Commission adopt a standard directing accredited cosmetology schools to implement more effective criteria which will provide a better indication of the successful completion rate of ATB students as compared to students with high school diplomas or GED certificates. The Commission is expected to action this recommendation at its next meeting.

NACCAS is convinced, as was Congress, that determinations by proprietary schools of "ability to benefit" admissions are sound educational policy decisions which enable tens of thousands of students, who would not otherwise have an expectation of postsecondary education, to pursue such a course of training.

The Findings and Recommendations of the General Accounting Office on the Ability to Benefit Criteria are Invalid.

NACCAS strongly disagrees with the conclusions and recommendations advanced by the General Accounting Office ("GAO") in its 1984 report entitled "Many Proprietary Schools Do Not Comply With Department of Education's Pell Grant Program Requirements" (hereinafter "GAO Report"). The GAO's findings and recommendations are predicated on an analysis which is superficial, one-dimensional, and unrealistic in the extreme.

In its report the GAO recommended the following to the Secretary of Education:

> In view of the significantly higher dropout rate for students admitted on the basis of the ability-to-benefit criterion, we recommend that the Secretary explore the feasibility of developing criteria that would provide schools a better indication that such students have a reasonable likelihood to complete training. In developing criteria, the Secretary might consider, among other things, the characteristics of successful students enrolled on the basis of ability to benefit, where determinable.
>
> If suitable criteria cannot be developed, we recommend that the Secretary seek a legislative change to limit admission to students with a high school diploma or GED certificate and to provide that exceptions to this requirement be justified in writing and approved by ED."

GAO Report, at 20.

This recommendation was based on the GAO's finding that

> students admitted under an ability-to-benefit criterion generally had less successful completion rates than students who had a high school diploma or GED certificates. While we recognize the desirability of giving financially needy students every opportunity to obtain training to prepare them for employment, we believe it is not in the best interests of either the students or the federal government to allow schools to admit students who have little likelihood of completing the training. Many such students become discouraged and drop out, or are terminated by the school -- at significant cost to themselves and the federal government for tuition and related expenses.

GAO Report, at 19.

The GAO based this conclusion solely on its assertion that ability to benefit students had a higher dropout rate than students with a high school diploma or GED certificate.

The GAO's analysis is both superficial and misleading. Dropout rates, particularly when measured at only one point in time, provide little information about a school's admission requirements and practices. For example, while a longitudinal study could ascertain whether a student reenters training, a snapshot analysis like that conducted by the GAO cannot. Similarly, an analysis which relies upon dropout rates without determining the reasons for failure to complete training does a disservice to both students and institutions because it fails to consider whether the students or institution have been subjected to circumstances beyond their control -- i.e. economic distress, family circumstances, employment opportunities, illness, etc. Furthermore, a continuously low completion rate may indicate other problems with an institution and not necessarily an ineffective admission policy. In short, there are myriad reasons why a student may not complete training -- reasons which the GAO blithely ignored. For this reason alone, the GAO's analysis is highly superficial.

The GAO Report is defective in a second respect -- the report fails to put dropout rates in their proper educational context. Dropout rates must be examined in light of the population which is the subject of the analysis and in comparison with dropout rates in other types of postsecondary education. As discussed above, students in private vocational training are generally considered to be "high risk" and this is especially true of ATB students. ATB students, perhaps should not be expected to complete training at the same rate as students with high school diplomas or GED certificates. Nevertheless, Congress specifically recognized that many economically and socially disadvantaged students have the potential to benefit from post-secondary education and that opportunity should not be denied to them.

Assuming arguendo that the GAO's finding of a 39% completion rate for ATB students is accurate, as compared to completion rates at other types of postsecondary schools, this rate is not so low as to demonstrate, without more, a need for more stringent admission requirements or the elimination of the ATB criterion. A National Center for Education Statistics longitudinal study of the 1972 high school graduation class found that only approximately 43% of the students who entered college received baccalaureate degrees, 28% completed 2 years or more of college, and 28% completed less than two years. In occupational programs offered by non-collegiate non-correspondence postsecondary schools the average completion rate was found to be 53.7%, private institutions had a 61.4% completion rate, and public institutions had a rate of 37.6%. Digest of Educational Statistics - 1982, National Center for Education Statistics, 159 (1983). Taken in the context of the dropout rates for other postsecondary sectors, the dropout rate asserted by the GAO is certainly a matter of concern to all, but it is not so out-of-line that a draconian termination of the ATB criterion is necessary.

Further, if one assumes the correctness of the GAO's contention that the dropout rate for ATB students is higher than that for students with high school diplomas or GED certificates, one might expect to find a decrease in completion rates in postsecondary vocational education after Congress mandated the addition of the ATB criterion in 1976. As the following table shows, completion rates were up in 1978 and down again in 1979-1980.

Completion rates in noncollegiate noncorrespondence postsecondary schools offering occupational programs.

	Percent Completions		
	TOTAL	PUBLIC	PRIVATE
1975-1976[1]			
All Programs	57.7	49.6	62.1
Cosmetology	58.5	43.9	59.8
1978[2]			
All Programs	62.3	54.7	69.9
Cosmetology	59.3	47.8	70.8
1979-1980[3]			
All Programs	53.7	37.6	61.4
Cosmetology	51.6	37.3	52.5

1. Digest of Educational Statistics - 1979, National Center for Education Statistics, 152 (1980).

2. Digest of Educational Statistics - 1980-1981, National Center for Education Statistics, 170 (1982).

3. Digest of Educational Statistics - 1982, National Center for Education Statistics, 159 (1983).

There seems to be no evidence of a trend indicating an increase in dropout rates because of the admission of ATB students. The absence of such a trend is evidence that, in and of themselves, dropout rates are not meaningful.

The recommendations of the GAO are unrealistic in that they imply that there exists a magic formula by which an institution can identify in advance students who will complete training. As an accrediting agency, NACCAS must be guided by reality and not by the vague promises of formulistic certainty proffered by the GAO. Some students expected by test results to succeed will not, some predicted by tests to fail will become successful.

Current law requires a realistic determination of a student's ability-to-benefit based on sound educational criteria. Perhaps withdrawal rates should be examined as a possible indication of concern as regulations currently require. The Department examines the institution's capability properly to administer Title IV programs if an excessive withdrawal rate (above 33%) is present. Student Assistance General Provisions, 34 C.F.R. § 668.17(a)(1984).

For the foregoing reasons, neither the conclusions reached by the GAO nor the recommendations flowing therefrom are valid. More importantly, the superficial, one-dimensional, unrealistic analysis conducted by the GAO patently does not justify disenfranchising hundreds of thousands of students from federal financial aid or admission to postsecondary education.

The Subcommittee should be assured that while NACCAS disagrees with the GAO's analysis and recommendations concerning the

ATB criterion, the Commission takes very seriously the allegations made by the GAO of weaknesses in Pell Grant Administration, questionable recruiting practices, administrative errors, and inadequate monitoring and enforcement of compliance with Pell Grant regulations. No system is ever perfect and the GAO Report has caused NACCAS to revisit its accreditation standards and enforcement procedures and to consider making changes therein.

The Commission is, of course, vitally concerned about any reports of wrongdoing by institutions which are accredited. NACCAS is looking forward to a thorough review of the materials underlying the report which the GAO has recently released because information in NACCAS' files for the institutions surveyed by the GAO does not appear to agree with the GAO's findings concerning those schools. Because accreditation is a threshold requirement for eligibility for federal financial aid, accrediting agencies are the first line of defense to ensure educational quality. However, we do not disagree with the Department, as the GAO would indicate, and we see no conflict in the expectation that an accrediting body should consider, as part of educational quality, assurances of institutional integrity and ethical practices, and that accreditation does not provide a continuous monitoring of institutions' compliance with federal law and regulations. The Department of Education demands the former of an accrediting agency and has no expectation of the latter. NACCAS fully supports any penalties assessed against institutions which do not adhere to regulations, however, NACCAS is unaware of any federal program which demands day-to-day monitoring of adherence to the regulations which the GAO seems to demand.

The Administration's FY 1986 Budget Recommendations Concerning the Ability to Benefit Criterion

NACCAS cannot overstate its opposition to the Administration's recommendation to eliminate the ATB category. This recommendation is unnecessary over-kill, is contrary to earlier Administration statements, penalizes students for institutional errors, creates a substantial disincentive for institutions to admit ATB students even if they do not receive financial aid, and would disenfranchise hundreds of thousands of needy students.

The Administration recommended:

> Requiring a High School Diploma: A high school diploma or its equivalent would be required for receipt of any Department student aid. Subjective determination of a non-high school graduate's "ability to benefit" would no longer be sufficient to establish eligibility. This would reduce abuses in this area which have been documented by the General Accounting Office.

The Fiscal Year 1986 Budget, U.S. Department of Education News, 22 (1984).

Even if one accepts the Administration's allegations of "abuses", the recommendation to abolish the ATB classification is draconian. Even the GAO did not recommend elimination of ability to benefit determinations without first an attempt to strengthen the criteria. Furthermore, the gossamer promise that undefined "abuses" will be reduced is certainly not a sufficient justification to disqualify very needy students from financial aid. Put another way, the suggestion that the only sure way to prevent "abuses" in financial aid is never to provide any aid is a solution NACCAS finds to be an anathema.

In addition, the Administration's recommendation is contrary to the view taken by the Department of Education. The Department itself disagreed with the GAO conclusions and recommendations in regard to ATB determinations. The Department's response to the GAO on this issue stated:

> We do not concur. While we believe that institutions and accrediting agencies should constantly look at criteria that will better enable them to determine the "ability to benefit," we believe the Congress has made it quite clear that individuals should have every opportunity to obtain training to prepare them for employment, which is embodied in the open enrollment concept.
>
> It is our position that admission policies should be established by the institutions and/or the States which support, charter or license them. We do not believe that this is an appropriate Federal role.
>
> Once a student is in school we believe regulations for the establishment and enforcement of satisfactory progress standards for institutions published in the Federal Register on October 6, 1983, do address the issue of whether a student has the continuing "ability to benefit."

GAO Report, at 53, 54.

NACCAS agrees with the Department's comments and finds the Administration's contrary recommendation insupportable in view of established education policy.

NACCAS further disagrees with the Administration's recommendation because the recommendation penalizes students for errors, intentional or unintentional, committed by institutions or other involved parties. A reasonable response if one accepts the GAO's findings is to improve Pell Grant administration by the institutions, not to prevent a large segment of the population from utilizing financial aid to attend postsecondary education programs.

The Subcommittee should also note that the elimination of the ATB benefit criterion will provide a strong disincentive for institutions ever to admit such students even if they do not receive financial aid. Pell Grant eligibility is both institutional and individual in that, in order for a student to receive a grant, he or she must attend an eligible institution. Prior to 1976, a school could not qualify as an eligible institution, and therefore its students for financial aid, if that school admitted ATB students. Elimination of the criterion would create this same problem again. A school would have the choice of admitting ATB students and robbing all its students of financial aid resources, or refusing to admit ATB students. Therefore, the Administration's recommendation carries with it the grave possibility that needy students will be denied postsecondary education entirely.

NACCAS has a final simple reason why it opposes the Administration's recommendation; hundreds of thousands of students would be disenfranchised from student financial aid. The students in this group are, as we have shown, those most in need of a leg up in our society. The social benefits of educating a high school dropout so that he or she is a productive, employable citizen are undeniable. To eliminate this group from federal aid to education is to sound the death knell for equal access. NACCAS' schools have been educating high risk students for entry level jobs for decades and they do their job well. Now is not the time to turn our backs on those who need our help the most.

ABSTRACT

I. Ability to Benefit, definition

Sections 481(b) and 1201(a) of the Higher Education Act (HEA) both impart eligibility for Title IV assistance to "students...who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit from the training offered by the institution."

These are individuals who do not have a high school diploma or equivalency, yet who could benefit from occupational training offered at cosmetology schools, among others. Such students attending cosmetology schools are primarily low income women, many of whom are single head of household and who depend on one or several forms of public assistance.

II. Survey Purpose

A. Ascertain the number of students currently attending accredited cosmetology schools who were admitted under "ability to benefit" criteria, by state and on a nationwide basis.

B. Determine the percentage of enrollment in such institutions admitted under "ability to benefit" criteria.

C. Percent and number (by state and nationwide) of "ability to benefit" students in accredited cosmetology schools who receive some type of federal student aid.

D. Determine method(s) used by accredited cosmetology schools in ascertaining whether a student has the "ability to benefit" from the training offered.

III. Methodology

A survey questionnaire was drafted, asking the following information:

A. Name of School
B. Address
C. Total number of students currently enrolled (Academic Year 1984-85).
D. How many were admitted under "ability to benefit" criteria, as opposed to high school diploma or GED?
E. Method(s) used to determine that a student has an "ability to benefit" from the training offered.
F. Percentage of "ability to benefit" students in attendance who receive some type of federal student aid.

See Exhibit 1 for copy of questionnaire.

The survey sheet was mailed on February 8, 1985 to 1404 accredited cosmetology schools accross the nation, with the exception of Alaska where there are none. The survey encompassed institutions in the District of Columbia and Puerto Rico. For a breakdown of the number of accredited institutions by state, see Exhibit 2.

Schools were given one month to reply. All entries received by March 8, 1985 were tabulated. Exhibit 3 represents the response to the survey by state, and Exhibit 4 shows the percentage of institutions responding. A total of 444 schools responded, representing a 32% response rate. The only jurisdiction that did not respond was Hawaii.

The survey forms were then tabulated and data derived was compiled in several ways to provide a better understanding of the "ability to benefit" students. Surveys were tabulated by state and the following data compiled:

(a) number of students enrolled 1984-85
(b) number of students admitted under "ability to benefit" criteria
(c) percent of enrollment admitted under "ability to benefit" criteria
(d) percent of "ability to benefit" students on federal student aid
(e) number of "ability to benefit" students on federal student aid.

See Exhibit 5 for individual state tabulations.

Master tables were then compiled showing state totals for the following (see Exhibit 6):

(a) number of accredited schools
(b) number of schools responding to survey
(c) percent of schools responding
(d) number of students currently enrolled at responding schools
(e) number and percent of students at responding schools admitted under "ability to benefit" criteria
(f) percent of "ability to benefit" students at responding schools who were receiving some type of federal student aid
(g) number of "ability to benefit" students at responding schools receiving some type of federal student aid.

Tables were then compiled from highest to lowest, showing state rankings under various categories:

(a) number of students enrolled at institutions responding to the survey, by state (Exhibit 7)
(b) number of students at institutions responding to survey who were admitted under "ability to benefit" criteria (Exhibit 8)

(c) percent of students admitted to cosmetology schools under "ability to benefit" criteria, by state (Exhibit 9)
(d) percent of "ability to benefit" students in attendance who receive federal student aid, by state (Exhibit 10)
(e) Number of students admitted under "ability to benefit" criteria who receive federal student aid, by state (Exhibit 11).

It should be noted that a statistically significant complication was present in trying to come up with accurate state breakdowns, since a New York corporation with a large chain of schools in seven states (NY, NJ, CT, MA, IL, PA and FL) submitted collective data for all of its schools, since they perform their computations in a centralized manner. This had an effect, in some tabulations, of overstating the number of students in New York and understating them in the other six states where the chain operates. This has been indicated wherever applicable.

The next tabulation developed sought a breakdown of institutions by size of enrollment. Exhibit 12 contains a list by state showing the number of institutions whose student body size falls into one of three categories: 1-50, 51-100 and 101+. This data was then correlated with the number of students admitted under the "ability to benefit" criteria in each state to see if there was a direct relationship between these two factors (see Exhibit 13).

Another part of the survey addressed the criteria employed by institutions to determine if a student has the "ability to benefit" from the training offered. Based on the specific replies given, four categories were developed: examination, interview, letters of recommendation and other. The information from each questionnaire was divided by state and included under state totals in a master tabulation (See Exhibit 14), which includes the name of the state, the number of schools responding and the number of schools indicating that they used examination, interview, letters of recommendation or other.

IV. Results and Conclusion

There are currently 1404 accredited cosmetology schools in the United States, including the District of Columbia and Puerto Rico. Alaska has no schools and Hawaii failed to respond. Four hundred forty four (444) institutions responded, or 32% of the universe. These schools currently enroll 48,816 students, which would imply a total cosmetology school enrollment of 152,550.

Of the 48,816 students attending responding institutions, 14,776 or 30% had been admitted under "ability to benefit" criteria. Projecting this ratio to the universe of students, we obtained 45,765 so admitted throughout the system.

The percent of "ability to benefit" students receiving federal student aid at responding schools is 92%, or 13,554 students. Projecting this percent to the universe, we obtain an estimated 42,104 students in accredited cosmetology schools admitted under an "ability to benefit" criteria who receive federal student aid.

Aside from these figures, we should point out several salient facts. California, with 214 schools has the largest number of accredited institutions, followed by Illinois with 95. As expected, the largest states in terms of population have the largest number of schools. There is, therefore, a large concentration to be found in Texas (86), New York (74), Pennsylvania (68), Florida (66), Ohio (51) and Michigan (50). The smallest states in terms of population and rural areas have the lowest number of institutions, for example : North Dakota (5), Nevada (5), Idaho (4), Vermont (2). There are some exceptions, such as Georgia, which although having the population to warrant more institutions, only has 4.

The number of schools responding, when tabulated by state, generally followed the ranking by state in terms of overall number of schools. The number of respondents by schools ranged from 100% (South Dakota) to 0% (Hawaii), with a large concentration between 20% and 40% (New Hampshire 20%, Colorado 30%, Louisiana, 40%).

In tabulating responses, it should be pointed out that several states require a high school diploma or GED for admittance (i.e., Iowa and Vermont), while others make it a condition for receiving state aid (South Dakota). Still others which formerly required a diploma or equivalent have recently amended state law to allow enrollment of "ability to benefit" students (i.e., Washington).

The number of students admitted under the "ability to benefit" criteria by state generally follow, with some exceptions, enrollment statistics. They tend to be concentrated in large population centers where large numbers of disadvantaged reside (NY, CA, IL, PR, OH and FL). Pennsylvania schools do not reflect a number which is commensurate with its overall population or enrollment.

Some states have high enrollments and a high percentage of "ability to benefit" students, yet do not fit the pattern of large population state with large numbers of disadvantaged (Colorado, Wisconsin, Missouri). Cosmetology is a profession which attracts a segment of students often not a part of the socio-economic mainstream, even in states which do not seem to have large concentrations of disadvantaged.

Still other states, because of state law, rural character, stigma attached to public assistance and low drop out rates, exhibit low enrollments and consequently low numbers of "ability to benefit" students (New Hampshire, South Dakota, Maine, Nevada).

In terms of numbers and percent of enrollment, it is obvious that these students as a group are needy, with 92% actually receiving federal student aid. It should be noted that in those areas with low numbers of "ability to benefit" students, nearly all so admitted received student aid (See Exhibit 10).

With respect to the size of the institution and its effect on the number of "ability to benefit" students, it was found that in all three student body size groups (0-50, 51-100 and 100+), the largest concentration of students admitted under "ability to benefit" occured in the 0-25% category, becoming progressively smaller as the percentage of students so admitted reached 100%. Therefore, size of the school was found to be a non-factor with respect to numbers of "ability to benefit students."

Finally, the portion of the survey dealing with criteria used by institutions in determining if a student has the ability to benefit from training offered, revealed that cosmetology schools and the industry has developed over the years a series of recognized aptitude tests which are employed throughout the nation. These include the Cosmetology Student Aptitude Test by Milady Publishing Corp., Bronx, New York (See Exhibit 15) and the Cosmetology Student Admissions Examination by Anthony B. Coletti, Director of Cosmetology Research, Training and Development, Keystone Publications. Similar tests include: Cosmetology Student Entrance Examination, RGM, INC, and the Pivot Point Aptitude Test.

Passing ratios on these tests range from 70 to 85, with the industry norm being 70. However, there is a large concentration of schools which require 85.

Some institutions pointed out that they also require mental ability tests such as the Henmon Nelson Test of Mental Ability, Gatsby Test, FIRO B, as well as manual dexterity tests (Purdue Peg Board Test and Stromberg Dexterity Test).

Of those surveyed, 362 out of 444 required an examination (81.5%). Since some states and some individual schools do not admit "ability to benefit" students to enroll, even though the institutions responded, no weight was added to any of the four categories. The result, in essence was to reduce the percentages in each category. In terms of absolute percentages, examinations rank in the 90+ percentile. The overwhelming majority of those indicating "interview" or "letters of recommendation" required these in addition to and not in lieu of an exam. The "other" category, as explained in Exhibit 14, deals primarily with state minimum schooling requirements, probationary period, referral by state agency, taking of remedial, adult or GED courses, etc.

In conclusion, cosmetology schools currently enroll an estimated 152,550 students, 30% of whom were admitted under "ability to benefit" criteria (45,765). Of these, 92% or an estimated 42,104 receive federal student aid. These students, although found throughout the nation, tend to be primarily concentrated in states with large populations of disadvantaged persons, and were admitted after taking a standardized aptitude test.

COSMETOLOGY STUDENT APTITUDE TEST

(for admissions testing)

INTRODUCTION

This test of personal abilities is designed to objectively evaluate the aptitudes which underlie successful performance as a cosmetologist.

The examination is aimed at testing applicants for cosmetology training in order to determine their aptitudes and suitability for entrance into the profession of beauty culture. It is designed to test their general intelligence, artistic traits, and their ability to understand line, color and figure perceptions.

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PART I
PERSONAL INTERVIEW AND RATING SHEET

Personal History

Date ....

Name ....

Address .... Phone ....

City .... State .... Zip Code ....

(If under 18 years of age give name and address of parents or guardian)

Parent's or Guardian's Name ....

Address .... Phone ....

City .... State .... Zip Code ....

Education

Elementary School: Grade Completed .... Date ....

High School: Grade Completed .... Date ....

College: Years Completed .... Date ....

If you did not graduate from High School,
do you have an Equivalency Diploma? .... Date Awarded ....

In which school subjects did you get the best grades? ....

Work History

Are you employed? .... Title or Position ....

Describe your work ....

How long have you been employed? .... Do you like your work?

Explain ....

Have you been employed prior to your present job? ....

Describe previous employment (use separate sheets if necessary) ....

Physical Data

Is there any reason why you could not work as a cosmetologist? ☐ Yes ☐ No

If yes, describe ....

Do you have an acute allergy? ☐ Yes ☐ No

Would standing cause you to tire easily? .... Explain: ....

....

Personal Likes

My favorite subjects in school were (list in order of preference):

1 .... 2 .... 3 .... 4 ....

In which extra-curricular activities did you engage while in school?

1 .... 2 .... 3 .... 4 ....

Do you enjoy sports? .... List your favorite sports:

1 .... 2 .... 3 .... 4 ....

Which sports do you dislike?

1 .... 2 .... 3 .... 4 ....

Do you like reading? .... Do you prefer magazines or books? ....

List periodicals you have read recently ....

....

I hereby affirm that the answers to these questions are to the best of my knowledge true and correct.

I grant the .... the privilege of making any further investigation and to use the information so obtained for future negotiations with prospective employers on my behalf.

Date of Test .... Signed ....

Place Taken .... Examiner's Signature ....

Rating Sheet

PART I – Rater's Evaluation Recommendation: ....

....

PART II – (40 points)

PART III – (60 points)

FINAL GRADE

PART II
GENERAL INTELLIGENCE TEST

40 Questions
(1 Point Each Question)

A—VOCABULARY

Read each question carefully. Select the best answer and write the number of the answer on the line to the right.

Example: Calm means most nearly:
1. excite 2. turmoil 3. serene 4. fatigue 1 ....3........

Since the word "calm" indicates a quiet attitude and "serene" has the same meaning, number 3 is the correct answer.

1. Flexible means most nearly:
1. breakable 2. inflammable 3. pliable 4. weak 1 ....

2. To verify means most nearly to:
1. justify 2. explain 3. confirm 4. examine 2 ....

3. To encounter means most nearly to:
1. meet 2. recall 3. weaken 4. overcome 3 ....

4. Respiration means most nearly:
1. breathing 2. pulsation 3. sweating 4. recovery 4 ....

5. Obesity means most nearly:
1. obstinacy 2. instrument 3. fat 4. lethargy 5 ....

6. Access means most nearly:
1. extra 2. admittance 3. arrival 4. too much 6 ....

7. Florid means most nearly:
1. seedy 2. southern 3. overflowing 4. ruddy 7 ....

8. Reluctant means most nearly:
1. anxious 2. constant 3. drastic 4. hesitant 8 ....

9. Frugal means most nearly:
1. friendly 2. thoughtful 3. hostile 4. economical 9 ....

10. Imply means most nearly:
1. conclude 2. permit 3. suggest 4. declare 10 ....

11. Adapt means most nearly:
1. make suitable 2. excuse 3. refuse 4. expect 11 ....

12. Exempt means most nearly:
1. defend 2. excuse 3. refuse 4. expect 12 ....

13. Conform means most nearly:
1. conceal from 2. remember 3. be in agreement 4. complain 13 ....

14. Compile means most nearly:
1. confuse 2. support 3. compare 4. gather 14 ....

15. Deplete means most nearly:
1. replace 2. exhaust 3. review 4. withhold 15 ....

B—WORD SERIES

In each of the groups of words that follow there is one which is not related in theme to the other words in the group. Determine which word does not belong and write the number of that word in the space to the right.

Example:

1. book 2. magazine 3. letter 4. lamp 5. newspaper 4

All of the words except "lamp" have something to do with reading matter. The only word not in the series is "lamp," number 4. The correct answer is 4.

1. 1. scissors 2. razor 3. knife 4. roller 5. nipper ....
2. 1. comb 2. brush 3. roller 4. file 5. hairpin ....
3. 1. tinting 2. lightening 3. facial 4. shaping 5. permanent ....
4. 1. wave 2. curl 3. twist 4. bang 5. acne ....
5. 1. stomach 2. esophagus 3. elbow 4. intestine 5. liver ....
6. 1. finger 2. knuckle 3. nail 4. cuticle 5. scalp ....
7. 1. heart 2. lung 3. liver 4. kidney 5. blood ....
8. 1. veins 2. valves 3. ligament 4. arteries 5. capillaries ....
9. 1. oxygen 2. faradic 3. hydrogen 4. peroxide 5. nitrogen ....
10. 1. lashes 2. brows 3. lids 4. neurons 5. irises ....

C—WORD ASSOCIATIONS

Following are a series of verbal analogies, in which two words are given which are associated with each other in some manner. An additional word is given which must have the same form of association with one of the answers. Write the number of the correct answer on the line adjoining the question.

Example: Cosmetologist is to Woman as Barber is to:
1. ladies 2. horses 3. man 4. actress 3

1. Fin is to Fish as Propeller is to:
1. auto 2. airplane 3. elevator 4. water

2. Shoe is to Leather as Highway is to:
1. asphalt 2. passage 3. road 4. journey

3. Prune is to Plum as Raisin is to:
1. apricot 2. currant 3. berry 4. grape

4. Safety valve is to Boiler as Fuse is to:
1. house 2. motor 3. wire 4. factory

5. Governor is to State as General is to:
1. Navy 2. Captain 3. Army 4. Admiral

6. Cloth is to Coat as Gingham is to:
1. doil 2. dress 3. dressmaker 4. cover

7. Boat is to Dock as Airplane is to:
1. hangar 2. strut 3. wing 4. engine

8. Moon is to Earth as Earth is to:
1. Mars 2. Sky 3. Sun 4. Jupiter

9. Drift is to Snow as Dune is to:
1. rain 2. sand 3. desert 4. hail

10. Milk is to Cheese as Wood is to:
1. pencil 2. desk 3. pole 4. paper

D—ARITHMETICAL PROBLEMS

1. A cosmetologist must double her/his salary before the employer can realize any profit from her/his work.
Miss Mead paid Miss Adams $125.00 per week to start. The first week Miss Adams' services amounted to $162.00. How much did Miss Mead lose on the first week's work of Miss Adams?

1. $84.00 2. $63.00 3. $88.00 4. $75.00 1 ____________

2. Miss Mead pays Miss Brown $125.00 per week. How much money must Miss Brown take in for services if Miss Mead is to realize $50.00 profit on her work? (Conditions on salary are the same as in problem 1.)

1. $275.00 2. $325.00 3. $250.00 4. $300.00 2 ____________

3. Miss Mead pays Miss Adams $160.00 per week. She works 40 hours per week. Miss Adams was idle for 4 hours and 30 minutes during one week. How much did Miss Mead pay for idle time?

1. $16.00 2. $18.00 3. $22.00 4. $24.00 3 ____________

4. How many booth curtains can be made from 28 yards of material if it takes 3½ yards for one curtain?

1. 9 2. 6 3. 8 4. 5 4 ____________

5. Miss Mead made the following cash payments: window cleaner, $18.00; express mail, $9.35; merchandise for resale, $46.40; cleaning supplies, $9.30; hair tints, $43.15; permanent wave solutions, $31.00. How much money did she pay out?

1. $110.00 2. $157.20 3. $175.40 4. $135.80 5 ____________

PART III

ARTISTIC APTITUDE AND MANUAL DEXTERITY

60 Questions

(1 Point Each Question)

FOUR SECTIONS

A. Personal Preference	15 Questions
B. Line Perception	15 Questions
C. Color Perception	15 Questions
D. Figure Perception	15 Questions

A MEASUREMENT OF PERSONAL INTEREST

This test is designed to evaluate the natural preferences of the examinee.

Since cosmetology is an art as well as a science, the budding cosmetologist must exhibit natural artistic tendencies in order to evaluate his aptitude for this type of vocation.

Artistic work is usually creative and may involve interest in form, texture and color. The test is intended to evaluate the applicant's natural appreciation of pretty things through the eyes or the pleasure found in creating pretty things with the hands.

The test supplies a sufficient number of questions to cancel out any minor variations and should reveal the applicant's artistic aptitudes.

A—PERSONAL PREFERENCE

Decide which of the following four items you would rather do or be. Even if you are incapable of doing the work you must decide which you would prefer if you had the ability.

Which of the following would you rather do or be?

1. 1) Operate a general fix-it shop.
   2) Design the landscaping of a rather large estate.
   3) Distribute house-to-house advertising material.
   4) Conduct a TV listening survey.

2. 1) Be a salesperson of cosmetics.
   2) Work as an extra mail-carrier around Christmas.
   3) Design a special medal for the winners of a golf tournament.
   4) Supervise electric installation for a TV show.

3. 1) Study a report on occupations for the physically handicapped.
   2) Create a new design for plastic dishes.
   3) Plan the creation of new jobs for school drop-outs.
   4) Take a course in typing.

4. 1) Redecorate your apartment.
   2) Plan your Christmas shopping.
   3) Address your Christmas cards.
   4) Work as a server in a soda-parlor.

5. 1) Work as a soda dispenser in a drugstore.
   2) Seek scholarship placements for qualified students.
   3) Assist families on public welfare to prepare their budgets.
   4) Speak on modern art before a service club.

6. 1) Design your own original Christmas cards.
   2) Sell farm machinery and equipment.
   3) Review new books for a local newspaper.
   4) Visit lonely hospital patients.

7. 1) Write editorials on current events.
    2) Survey the origin and causes of a certain disease.
    3) Take an evening course in public speaking.
    4) Plan new designs and styles for dresses.

8. 1) Paint a portrait of someone very dear to you.
    2) Participate in a weekly book review club.
    3) Work as a mail-sorter in the Post Office.
    4) Own and operate a book shop.

9. 1) Read article on the effects of exposure to radioactivity.
    2) Give advice on marital problems.
    3) Raise funds for the U.N.
    4) Take home-moving pictures.

10. 1) Be employed as an elevator inspector.
    2) Read a study of agriculture in Russia.
    3) Participate as a judge in a beauty contest.
    4) Write an advice-to-the-lovelorn column.

11. 1) Create various flower arrangements.
    2) Build a dog-house.
    3) Plan a fund raising campaign to aid the blind.
    4) Write a report on travel in outer space.

12. 1) Work as a guidance counsellor.
    2) Plan a campaign to eliminate juvenile delinquency.
    3) Act as a judge at an art exhibit.
    4) Work as a ticket seller in a theater.

13. 1) Act as an arbitrator to settle a strike.
    2) Judge novels for prizes and awards.
    3) Design the sets for a Broadway play.
    4) Spend a day at a museum of natural history.

14. 1) Design a cover for a new book.
    2) Arrange and catalogue the paintings for an exhibit.
    3) Study the effects on the human body of the atom bomb.
    4) Give unusual Christmas gifts.

15. 1) Read a history of the United States.
    2) Study the lives of famous authors.
    3) Build a workshop in your basement.
    4) Design an attractive container for a new product.

B—LINE PERCEPTION

Each question consists of a lead drawing followed by five additional drawings. The problem is to discover which of these drawings is the same as the lead drawing. In other words, which drawing, if moved around without being lifted from the paper, would be exactly the same as the lead drawing?

Place the number of your answer on the line adjoining the question.

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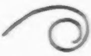

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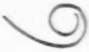

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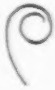

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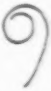

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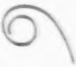

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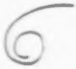

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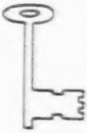

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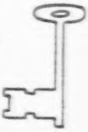

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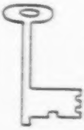

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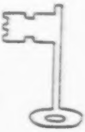

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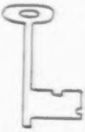

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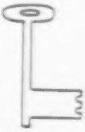

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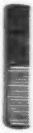

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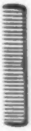

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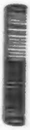

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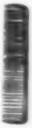

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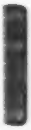

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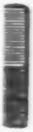

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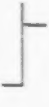

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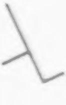

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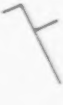

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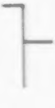

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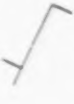

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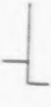

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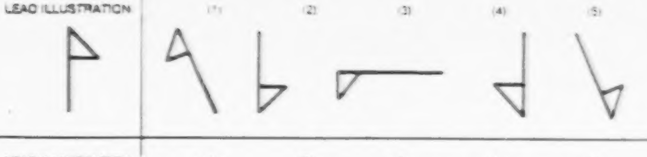
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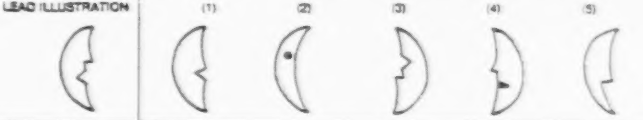
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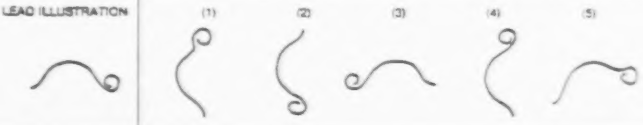
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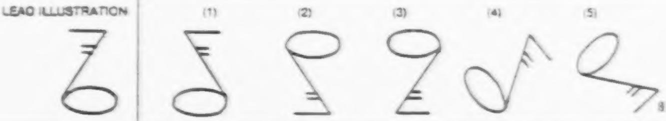
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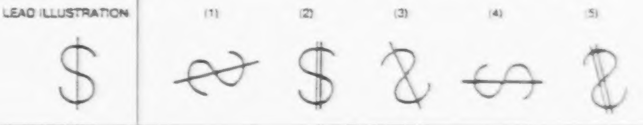
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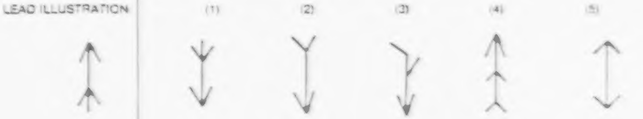
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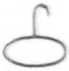

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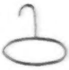

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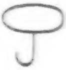

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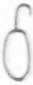

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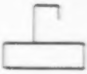

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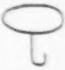

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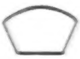

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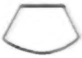

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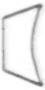

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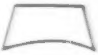

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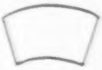

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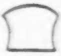

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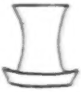

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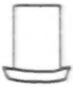

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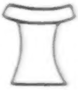

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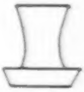

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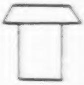

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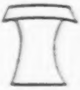
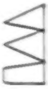


13.

LEAD ILLUSTRATION



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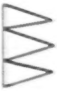

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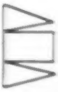

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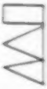

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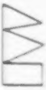

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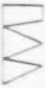

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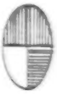

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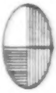

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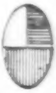

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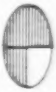

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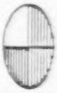

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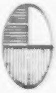


15.

10

C—COLOR PERCEPTION

Read each question carefully. Select the best answer and write the number of the answer on the line to the right.

1. If you were making a stop sign, which color would you use to make it most noticeable under all conditions?
   1. black 2. brown 3. green 4. red — 1 ....

2. If your were over-weight, which color would make you look even heavier?
   1. dark grey 2. white 3. black 4. dark brown — 2 ....

3. If your hair is orange red, which lipstick color would blend the best?
   1. coral with beige hue 2. bluish pink 3. white 4. dark wine red — 3 ....

4. If you were over-weight, which color would you wear in order to minimize the appearance of your size?
   1. red 2. white 3. beige 4. yellow — 4 ....

5. Which of the following make you look smaller?
   1. bold plaid 2. horizontal stripes 3. plain color 4. large print — 5 ....

6. If you wish to emphasize a slim, trim waistline, which color belt should be worn?
   1) one that matches the dress
   2) no belt of any kind
   3) one that contrasts with the dress color
   4) one that blends with the dress color — 6 ....

7. If you were looking for a particular book, which color would attract your eyes first?
   1. black 2. brown 3. yellow 4. green — 7 ....

8. Which of the following color combinations is most contrasting?
   1. gray and white 2. pink and white 3. gray and black 4. black and white — 8 ....

9. Certain colors go together very well, even though they are very different from one another. Those are called "Complementary Colors." Which of the following color combinations are "complementary"?
   1. red and green 2. blue and purple 3. red and purple 4. yellow and pink — 9 ....

10. Certain colors go well with almost every other color. Which of the following is such a color?
    1. bluish green 2. brick red 3. orange 4. white — 10 ....

11. Which color would make a very petite (very small) person look larger?
    1. black 2. brown 3. charcoal grey 4. white — 11 ....

12. You wish to emphasize a very pretty pink scarf; what color dress would contrast with it best and thus make it more noticeable?
    1. black 2. pink 3. light red 4. beige — 12 ....

13. Which of the following is a conservative dress color which could be worn to a job interview?
    1. red 2. brown 3. yellow 4. orange — 13 ....

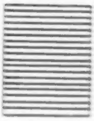
14. Which type of jewelry attracts the most attention?
    1. jewelry that matches the dress 2. wooden beads 3. rhinestones 4. pearls — 14 ....

15. If a woman has large hips, which clothing combination should she wear?
    1) light blouse and dark skirt
    2) light blouse and light skirt
    3) dark blouse and light skirt
    4) light blouse and a bright colored skirt — 15 ....

D—FIGURE PERCEPTION

1. Which of the following lines are most flattering to a heavy-set person?

(1)



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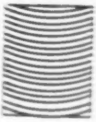

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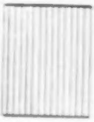

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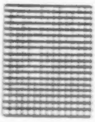

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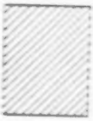
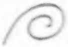


1.

2. Which of the following curls are wound in a counter-clockwise direction?

(1)



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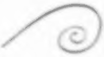

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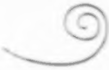

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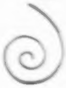

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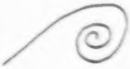
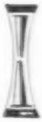


2.

3. In permanent waving, coarse hair requires curls with a larger circumference. Which is the best rod to use for coarse hair to obtain this type curl?

(1)



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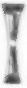

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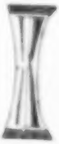

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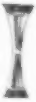

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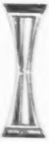
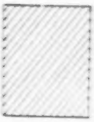


3.

4. Which of the following would give the illusion of adding the most weight to a very slim person?

(1)



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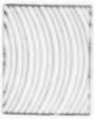

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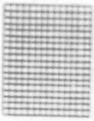

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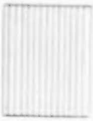

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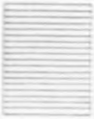
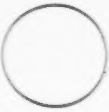


4.

5. Following you will find illustrations of five different shapes. Which is the rectangle?

(1)

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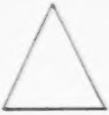
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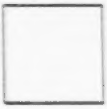
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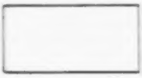
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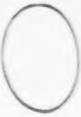

5 ______

6. Of the following, which is the heavy-lidded eye?

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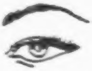
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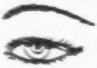
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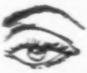
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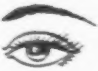
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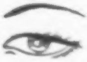
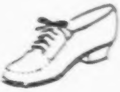


6 ______

7. Which is the best type of shoe for a cosmetologist to wear in a beauty salon?

(1)

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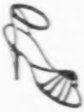
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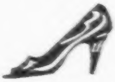
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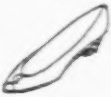
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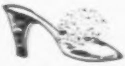
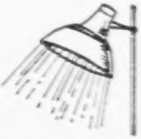


7 ______

8. Which of the following items is not considered to be a grooming aid?

(1)

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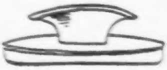
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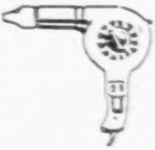
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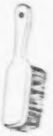
8 ______

9. Which of the following items is used in creating pin curls?

(1)

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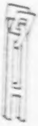
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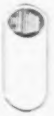
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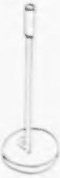
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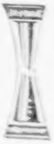
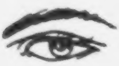


9 ______

10. Which of the following eyes is a right eye?

(1)

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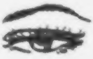
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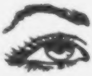
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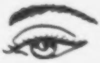
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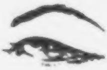
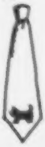

10

11. Which of the following men's ties is most suitable for office wear?

(1)

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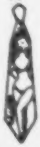
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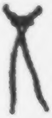
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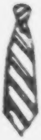
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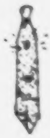
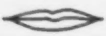

11

12. Which of the following lip shapes is the most ideal?

(1)

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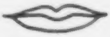
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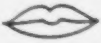
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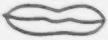
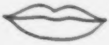
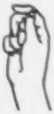

(5)

12

13. Below is a series of items which are "lefts" or "rights." Which item is a "left"?

(1)

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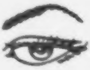
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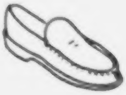
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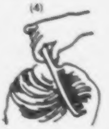
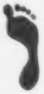
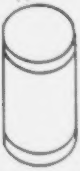

(5)

13

14. Which of the following rollers would produce the curl with the tightest center?

(1)

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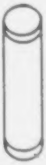
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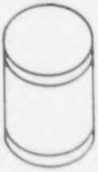
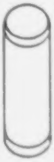
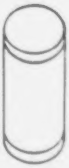
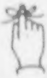

(4)

(5)

14

15. Which of these signs would indicate memory?

(1)

(2)

(3)

(4)

(5)

15

Mr. FORD. Mary Jane Bond.

STATEMENT OF MARY JANE BOND, FINANCIAL AID DIRECTOR, WAYNE COUNTY COMMUNITY COLLEGE

Ms. BOND. Mr. Chairman, members of the committee, my name is Mary Jane Bond. I am director of financial aid at Wayne County Community College in Detroit, MI. I speak to you today on behalf of my institution, as well as the American Association of Community and Junior Colleges and the Association of Community College Trustees, regarding a paramount issue of concern for all of us: Continued financial aid eligibility for students who have the ability to benefit from postsecondary education.

As a public, nonprofit, 2-year institution of higher education, the Title IV student assistance general provisions regulations, by definition, permit that we admit as regular students only persons who have a high school diploma, the recognized equivalent of a high school diploma, or are beyond the age of compulsory school attendance and have the ability to benefit from the training offered.

Institutions that admit students under the ability-to-benefit provision are required to develop and consistently apply standards or criteria for determining whether these students have that ability to benefit. We strongly support the continuance of ability to benefit as a primary factor of eligibility for a significant portion of society that we at Wayne County and in the community college sector as a whole are dedicated to serve.

Wayne County Community College is a comprehensive, multicampus, open-door public institution whose mission is to provide for the diversified educational needs of the citizens of metropolitan Detroit and Wayne County. The college has five campuses and serves a 500-square-mile service district. Over 50 academic program offerings, including vocational certificate, 2-year and transfer programs, are offered. For 1984-85, our total student body exceeded over 20,000 and over 6,750, or one-third of all students enrolled, received some form of title IV student assistance.

Our student demographics can best be described as follows: The average age is 28. Over 65 percent of the students enrolled at Wayne County are minority students and 35 percent are male. If I break the 65 percent down, 11,000 students would be categorized as black and 2,000 as Hispanic and other minorities at the institution. If we profile financial aid recipients, 75 percent are self-supporting students and two-thirds are female. Over 3,300 self-supporting students come from family incomes of $6,000 or less.

Students at Wayne County College received almost $12 million in student financial aid in 1984-85. Through our policy of open-door enrollment, students are able to benefit from postsecondary education despite the lack of a high school diploma or GED. Approximately 30 percent of our current students are enrolled under the ability-to-benefit provision. This statistic is consistent with other large urban community college systems throughout the United States. For example, it is estimated that 44,000 ability-to-benefit students are enrolled in the California community college system, and statistics from the city colleges of Chicago indicate the same percentage as at Wayne County. Because of our commitment to provide special services to students who require them, community colleges offer many students an opportunity for success that they would not find elsewhere.

Many community colleges as open-door institutions are mandated by their charter and mission to admit and serve students 18 years of age or older. We find that almost 40 percent of all entering new students read below the ninth grade level. This especially is a matter of concern to us when over one-half of these students are in fact high school graduates or do possess the GED. At Wayne County Community College, based upon individual test scores at admission, these students are directed to the courses and support services required.

A recent study of students in our Freshman Learning Institute Program indicates students enrolled in special support programs such as this are retained at a higher rate, upwards of 75 percent, and demonstrate significantly improved vocabulary and comprehension skills. Some have characterized students who do not possess a high school diploma or GED as high risk students, but we feel the requirement to assess ability to benefit for all students when combined with support services programs is a prerequisite for students' success.

As an urban, open-door community college, we recognize our mission to admit ability-to-benefit students, but the open-door mission is concomitant with our recognition of the requirement to provide that extensive strong support services and selective retention through our standards of academic progress. We believe that there are two major criteria for responsible administration and delivery of educational opportunity: those extensive strong student support services and responsible standards of academic progress for continued receipt of financial assistance.

It is important to note that student enrollment under ability-to-benefit requires that we provide that significant testing and support service. At Wayne County Community College, students upon application receive a battery of assessment tests primarily to determine individual math and English competencies. Students then receive counseling and are directed toward the appropriate remedial courses as required. We have established a core of support services to assist students whose competencies are below college level including our Freshman Learning Institute, the Institute of Human Resources, our Special Needs Program and open studies. While not all students require these support services, the majority, in fact, do utilize one or more.

As indicated before, the second key factor is the development and implementation of responsible standards of academic progress for all students. These standards provide the structural framework for student success. For 1984-85, fewer than 8 percent of the students receiving title IV student assistance at Wayne County Community College were, in fact, denied aid due to an inability to meet the college's standard for progress.

Institutions that are unable to assure adequate support services and proper monitoring of the standards of progress with regard to the enrollment of high risk or ability-to-benefit students are open to criticism regarding their commitment to service this population. Open doors for high risk students can thus be revolving doors if such services and policies are not in place. The role of ability-to-benefit as a criteria for receipt of title IV student aid is key in the successful educational experiences of many. These students cannot hope to break a cycle without further postsecondary education to build their skills and competencies. I can cite numerous examples.

Of course, you should get to know William. William entered Wayne County Community College in the fall of 1981. He was married, over 50 years old; in fact, he had raised a family and was a grandfather. He had no high school diploma or GED. During his first semester he registered for open studies classes to build his competency skills. Upon successful completion of that first full-time semester, William attended year round, completing his associate of arts degree in the spring of 1983 with a grade point average above a B. He then transferred to a nearby 4-year public university and is currently completing his degree in alcohol and drug abuse counseling while working part time in a vocational rehabilitation center.

And there is Mary. Mary began her postsecondary education at Wayne County Community College in the early 1970's. She also had no high school diploma. She was a single head of household with six children. She completed her GED while at Wayne County and subsequently received her associate of arts degree. She then transferred to a private college completing her baccalaureate. Today, she works in the field of college admissions marketing and has almost completed her master's. But even more important, she is proud to have three children currently enrolled in college as well.

Successes such as these are not the exception, but rather the rule. Whether high risk or ability-to-benefit labels are applied, these students are goal oriented in desiring to achieve. Students do, in fact, need help to meet the costs of postsecondary education and the opportunity for them to achieve it would not exist without the availability of the title IV student aid programs. The basic foundation of title IV assistance for our country's neediest students is the continued support of ability to benefit as a criterion for eligibility. The individual willing to invest time and energy to develop skill and talent deserves the opportunity and sufficient basic support to achieve his or her goal. Our efforts require courage and commitment to bring about these changes for individual good and that of our society as well.

Thank you very much.

[Prepared statement of Mary Jane Bond follows:]

PREPARED STATEMENT OF MARY JANE BOND, DIRECTOR OF FINANCIAL AID, WAYNE COUNTY COMMUNITY COLLEGE, DETROIT, MI

Mr. Chairman and Members of the Committee:

I am Mary Jane Bond, Director of Financial Aid at Wayne County Community College, in Detroit, Michigan. I speak to you today on behalf of my institution, as well as the American Association of Community & Junior Colleges (AACJC) and The Association of Community College Trustees (ACCT), regarding a paramount issue of concern for all of us - continued financial aid eligibility for students who have the ability to benefit from post-secondary education.

As a public, non-profit, two year institution of higher education, the Title IV Student Assistance General Provisions Regulations mandate that we admit as regular students only persons who:

1. have a high school diploma;
2. have the recognized equivalent of the high school diploma;
3. are beyond the age of compulsory school attendance and have the ability to benefit from the training offered.

Institutions that admit students under the ability to benefit provision are required to develop and consistently apply standards or criteria for determining whether these students have the ability to benefit from the education or training offered.

In the early 1960's, education was preceived as a major part of the nation's unfinished business. The nation experienced a growing awareness that America was not living up to its promise of social justice. The nation redoubled its faith in the potency of education to help solve social ills and to break the cycle of poverty. It was at this time that the Higher Education Act of 1965 was passed. It combined many purposes such as eliminating the barriers of socio-economic group membership, geographic location, and to a lesser extent, previous academic experiences.

Since the inception of the Higher Education Amendments in 1965, students, beyond the age of compulsory school attendance who have the ability to benefit despite lack of high school diploma or recognized equivalency, have been eligible for Title IV student financial assistance programs. We strongly support the continuance of ability to benefit as a primary factor of eligibility for a significant portion of society that we, at Wayne County and in the community college sector as a whole, are dedicated to serve.

Wayne County Community College is a comprehensive, multi-campus, open door public institution whose mission is to provide for the diversified educational needs of the citizens of Metropolitan Detroit and Wayne County. The College has 5 campuses and serves a 500 square mile service district. Over 50 academic program offerings including vocational certificate, two-year and transfer programs are offered. For 1984-85 our total student body exceeded 20,000 and over 6,750, or 1/3 of all students enrolled, received some form of Title IV student assistance.

Our student demographics can best be described as follows:

The average age is 28.

Over 65% of the students enrolled at Wayne County Community College are minority students and 35% are male.

If we profile the financial aid recipients for 1984-85, 75% are self-supporting students and two-thirds are female. Over 3,300 self-supporting students come from family incomes of $6,000 or less.

Students at Wayne County Community College recieved almost $12 million in student financial assistance in 1984-85. Through our policy of open door enrollment, students are able to benefit from post-secondary education despite the lack of a high school diploma or G.E.D. Approximately 30% of our current students are enrolled under the ability to benefit provision. This statistic is consistent with other large urban community college systems throughout the United States. For example, it is estimated that 44,000 ability to benefit students are enrolled in the California Community College system. Statistics from the City Colleges of

Chicago indicate the same percentage as Wayne County Community College. Community colleges offer an opportunity for quality education to many who would not otherwise be able to attend college. We are low cost and accessible. Because of our commitment to provide special services to students who require them, community colleges offer many students an opportunity for success that they would not find elsewhere.

Many community colleges are "open door" institutions mandated by their charter and mission to admit and serve students 18 years of age or older. We find that almost 40% of all entering new students read below the ninth grade level. This is especially a matter of concern to us when over one-half of these students are in fact high school or G.E.D. graduates. Based upon individual test scores at admission, these students are directed to the courses and support services required. A recent study of students in our Freshman Learning Institute program indicates that students enrolled in special support programs are retained at a higher rate - upwards of 75% - and demonstrate significantly improved vocabulary and comprehension skills. (Bolden et al., 1985).

Some have characterized students who do not possess a high school diploma or G.E.D. as high risk students. But we feel that the requirement to assess ability to benefit for all students when combined with support services programs is a prerequisite for student success.

The open door for many of these students has been inaccurately characterized as a revolving door. To prevent the revolving door, we established extensive support services for students in recognition of the high risk population we serve. The typical senario for "revolving door" students involves gaining admission, performing poorly academically and withdrawing or being dismissed - victims of educational neglect. As one college president asserted:

> The high risk student comes to the college facing overwhelming odds, the least of which are the academic hurdles he must surmount. No other student is subjected to the deliberate, professional neglect. . . he is one of the academic squatters with no specific segment of the institution assigned to him. He is often treated as a villian rather than the victim. (Moore, 1970.)

As an urban, open door community college, we recognize our mission to admit students without a high school diploma, but the "open door" mission is concommitant with our recognition of the requirement to provide extensive strong support services and selective retention through our standards of academic progress. We believe that there are two major criteria for responsible administration and delivery of educational opportunity:

1. Extensive student support services.
2. Responsible standards of academic progress for continued receipt of financial aid.

It is important to note that student enrollment under the ability to benefit requires that we provide significant testing and support services. At Wayne County Community College, students upon appliction for Admission receive a battery of test assessments - primarily to determine individual Math and English competencies. Students then receive counseling and are directed toward the appropriate remedial courses as required. Wayne County Community College has an established core of support services to assist students whose competencies are below college level. These services include:

1. The Freshman Learning Institute - students are placed in a core of classes for up to one year before mainstreaming into regular college curricula;

2. Institute of Human Resources - on-going, individualized support through tutoring, counseling, computer-assisted learning labs, etc.;
3. Special Needs - provides support to the unique or specialized requirements of students, such as readers for the blind, or interpreters for the hearing impaired;
4. Open Studies - class size is very limited in an effort to maximize student faculty contact.

While not all students require these supportive services, the majority in fact do utilize one or more of these services. As indicated before, the second key factor is the development and implementation of responsible standards of academic progress for all students. These standards provide the structural framework for student success. For 1984-85, fewer than 8% of students receiving Title IV student assistance at Wayne County Community College were denied aid due to an inability to meet the College's standard for progress.

Institutions that are unable to assure adequate support services and proper monitoring of the standards of academic progress with regard to the enrollment of "high risk" or ability to benefit students are open to criticism regarding their commitment to service this population. Open doors for high risk students can thus be revolving doors if such services and policies are not in place.

The role of ability to benefit as a criteria for receipt of Title IV student financial assistance is key in the successful educational experiences of many high risk students. These students cannot hope to break the cycle without further post-secondary education to build their skills and competencies.

I can cite numerous examples of the successful enrollment of ability to benefit students at Wayne County Community College. For example, you should get to know "William." William entered Wayne County Community College in the Fall of 1981. He was married, over 50 years old, and had no high school diploma or

G.E.D. During his first semester, he registered for Open Studies classes to build competency skills. Upon successful completion of that first full-time semester, William attended year round and completed his Associate of Arts degree in the Spring of 1983 with a grade point average above a "B". He then transferred to a nearby four year public university and is currently completing his degree in Alcohol and Drug Abuse Counseing while working part-time in a vocational rehabilitation center.

And there's "Mary." Mary began her post-secondary education at Wayne County Community College in the early 1970's. She also had no high school diploma. She was a single head of household with six children. Mary completed her G.E.D. while at Wayne County Community College and subsequently received her Associate of Arts degree. She then transferred to a private college completing her Baccalaureate. Today, she works in College Admissions Marketing and has almost completed her Master's degree. She is proud to have three children currently enrolled in college as well.

Successes such as these are not the exception, but rather the rule. Whether high risk or "ability to benefit" labels are applied, these students are goal-oriented and desiring to achieve. Students do, in fact, need help to meet the costs of post-secondary education and the opportunity for them to achieve would not exist without the availability of the Title IV Student Aid Programs. The basic foundation of Title IV assistance for our country's neediest students is the continued support of ability to benefit as a criterion for eligibility.

The individual, willing to invest time and energy to develop skill and talent, deserves the opportunity and sufficient basic support to achieve his/her goal. Our efforts require courage and commitment to bring about these changes for individual good and that of our society as well.

Can we afford not to continue to provide support to students who have the ability to benefit?

We, today, must assure a body of highly-trained and well educated, literate, citizens. They are needed in computers, laser technology, robotics and other technologies; and also in education, human services, health care, food processing, and construction, only to name a few.

Your strong support of Title IV programs to include students with Ability to Benefit will assure that we achieve these goals and benefit all of society both for today and the future.

References

Bolden, John et al. (1985). Wayne County Community College Freshman Learning Institute Report, Detroit, Michigan: Wayne County Community College, The Institute of Human Resources.

Monroe, Charles R. (1972) Profile of the Community College, San Francisco, Jossey-Bass.

National Commission on Excellence in Education. (1983). A Nation at Risk: The Imperative for Education Reform (DHHS Publication No.065-000-00177-2). Washington, D.C.: U.S. government Printing Office.

Mr. **Ford**. Thank you both for very fine presentations.

Jerry, I have been looking at this test that you attached to your testimony here, and I would have trouble. How much weight is put on the test vis-a-vis a personal interview or a subjective evaluation of the student in making a determination that they will be admitted under the ability to benefit?

Mr. **Donaway**. It is actually all used, Mr. Chairman. In a recent survey, about 90 percent of our schools use two nationally recognized aptitude tests for admissions in association with personal interviews, letters of credit, particularly in use with the ATB student.

Mr. **Ford**. But suppose that the student doesn't score well on this. Would they have a possibility of making it if they convinced an interviewer in another way that they could——

Mr. **Donaway**. Certainly. As you know, a lot of people do not test well. You are looking at one. I never did particularly well on a lot of tests. But the institutions are very sensitive to the ATB student. They do work with them in allowing them in some cases to repeat the test, but then giving other weights to the interviews and the backgrounds of the students and, in fact, the recommendation from other sources.

Mr. **Ford**. I did notice on page 4 of your test examples. "Cosmetology is to women as barber is to: (1) ladies, (2) horses, (3) man, (4) actress."

Mr. **Donaway**. I will take no responsibility for that test. That is a [Laughter.]

That test has been validated nationwide I am told and is used——

Mr. **Ford**. If you gave this test at the University of Michigan, the women would riot. [Laughter.]

Mr. **Donaway**. I suspect so. And I am surprised that hasn't happened in our institutions.

Mr. **Ford**. That looks like the kind of test somebody like me would write, not a nice fellow like you.

Mr. **Donaway**. Well, the test has been around quite a while, and I know that they do periodically update it. But I will make that note for them, Mr. Chairman. I am sure before I get out of the room I will be reminded of it, also.

Mr. **Ford**. I am sure that our female professionals on the staff will note that in the test.

Mr. **Donaway**. I am sure they will.

Mr. **Ford**. Mary Jane, we had a lot of discussion about your school the other day in front of this committee during our hearing on title III. Particularly, the numbers with respect to the high percentage of black students that you are serving at Wayne County Community College where, unfortunately, we have been able to get very little title II money. You have been in a virtual State-imposed receivership and every kind of trouble that an institution could survive and still the Office of Education would not think that you are a developing institution and need some money to get going. What is your reaction to this? If we knocked off something as significant as the ability-to-benefit population that you have right now, what would be the prognosis for the short term at least of the survival of Wayne County Community College?

Ms. **Bond**. The receivership would have worked. You would put us with a padlock on the front door. We would lose approximately one-third of our students.

Mr. **Ford**. The troubles that the school has been through have already reduced the student population, haven't they?

Ms. **Bond**. Drastically, yes.

Mr. **Ford**. One of the newest campuses built in my district is now on the block for sale.

Ms. **Bond**. Almost. We are trying everything we can to, in fact, do some marketing in the western Wayne County area to improve that situation.

Mr. **Ford**. Well, I appreciate the fact that you were able to come and give this testimony on behalf of the community colleges, because actually it was the community colleges that originally brought the proposition to us and posed the proposition of the ability to benefit.

The schools that Mr. Donaway speaks for were perceived by the Department to have been excluded by the definition the way we originally wrote it on the ability to benefit, and we had to go back a second time. There was no disagreement between the House and the Senate on making it abundantly clear that we meant not just community colleges when we used community colleges as an example of an institution where this might work. And I heard nothing really very solid over the years that indicates that it hasn't worked well. It hasn't really been an issue until it popped up in the budget earlier this year. And we are going to need help from you with Members of Congress because that has placed a question in their mind that wasn't there before. Not everybody understands how we got there or how it works or what happens.

We had some very good testimony from one of your people in New York at the hearing that Mr. Biaggi scheduled up there, who is now an independent businesswoman, who would have been kept out if this change had been made. We also had testimony from the lady with the business schools in New York—Drake Business Schools? Yes, Mary Ann Lawlor who gave us as a stereotypical student a 19-year-old Hispanic female with two children that she was supporting while going to school trying to get entry-level office skills. And she was at that time testifying about the budget which would have knocked her out because she was an ability-to-benefit student, and hit her by reducing her Pell grant and hit her by requiring a bigger up-front cash contribution. And she indicated that the impact on their school with that combination of changes would be to close the Bronx campus which is overwhelmingly minority students.

Thank you very much.

And the father of help for the independent and nontraditional student on this committee, Mr. Biaggi.

Mr. **Biaggi**. Well, I don't know if I am the father. I get sensitive when you say those things. [Laughter.]

Clearly, it is our language that permitted the ability for a greater number of students to come into these programs.

I don't think we have to justify the existence of that language, nor our experience with it. In my judgment, it is a proven program, it is a proven policy of our Government. I visit some of these schools in New York City, and I can tell you that when you look at the faces of the students, most of whom are minorities, most of whom are women, anyone that would even contemplate the elimination of this ability to benefit would have a look to their souls because at least these students have hope. They are motivated. They are clearly motivated as compared to languishing in some ghetto. They do go on and go to work. Ofttimes they don't get the job that they studied for, but that is not important. It motivates them to go look for a job. They cross that threshold of labor, something which they have never done before or even thought about.

Now, I have been here some 17 years and I don't know any program no matter how well intended that could survive the clinical scrutiny by any Government agency without finding some abuse and some malfunction, or some area of correction. I am sure that you would be the first to acknowledge there are some failings in these areas. Administration varies with the individuals and with localities. That is where the attention should be focused.

But to destroy a program simply because you find some areas after a study of some 35 schools where you have some 1,700 schools involved. When I saw "60 Minutes," I knew we were headed for trouble. But I know how "60 Minutes" functions. They look for the exception and beat the hell out of it, and they create a national impression. It is those birds that are coming home to roost.

I remember when I was in another phase of one of my careers I was assistant to the Secretary of State in New York State and I was in charge of dealing with inmates who were desirous of applying for licenses that the department of state granted. One was cosmetology, and the other was barbering. It was my responsibility to review the applicants who would be eligible once they passed the curriculum. It was important to know that you couldn't permit a con person, man or woman, to be a cosmetologist because how personal can you get, and you could take advantage. If she was a shoplifter, well, she did her time and she wanted to go in a different direction, and this was—it worked. The point is it worked. We are talking about people who have served time in prison. Now, we are here, we are talking about something that works. In real terms it works.

Do I think there are schools that are abusing the program? Absolutely. Do I think that proprietors are ripping it off? Absolutely. But that applies to every program the government has ever sponsored, and it is up to us to monitor it. It is up to government to monitor it, and it is up to industry to monitor it. Don't be like the doctors. You know, they bury their mistakes, and they are worried about malpractice. They are responsible for the malpractice insurance rates. Hopefully, there would be a shift, and they should have a peer review with some integrity. And I think the industry calls for it here.

Don't be reluctant and sit back, and say: "They are not picking on me, I'm all right," that won't do. That will not do because you have very formidable opposition here.

You made reference, Mr. Donaway, about draconian methods. Sure. They will close the schools. They will close the schools, eliminate tens of thousands of jobs. More important, it is a moneymaking operation. People are working, and they are giving opportunity to young folks and not so young folks, who will never go to—in some areas, won't go to a regular school. Sure, they will go to Wayne Community Colleges. Even in that area I imagine some of them don't go to Wayne, they would like to go to a private school.

There is a closer relationship with all of the students, and they know they are starting on an equal level, which is pretty much down on the lower rung of the whole economic strata. Even the social strata.

I had to make those statements, Mr. Chairman, because, first, to say I am upset is a mild expression. The damn thing works. We should expand it, and not contract it. If there is criticism to be found, and I am sure there is, let's find some method to correct it without throwing the baby out with the bathwater. That doesn't seem to be the way the administration is going, unfortunately.

I have a couple of questions, but I think we have some votes. You made reference I think obliquely to Janice Rivera who went to cosmetology school. She is outstanding. She is one that came to our attention, but I am sure there are many others. She started in cosmetology school. She is a businesswoman today; she has several beauty shops. What a classic illustration.

But even if the others don't go into business, they are working. There is a human development, an enhancement, an enrichment. They feel like meaningful human beings, as contrasted to being just kept in prison, and in slavery, in their own minds, in the local areas. I mean you just have to witness and talk to those folks to understand just what we are doing. It is more than just a job. You are dealing with human beings who we have given hope to. I mean, out of despair. Out of complete despair, poverty, and the slums of our cities they come, and here is a place. There is hope. You ask them to go to school, a regular school, they won't do it. Is a high school diploma the criterion? Nonsense. Nonsense. History is replete with people who have headed major corporations and never had a high school diploma.

Is it desirable? Of course. Is a college degree desirable? Of course. Is it essential for life? Not really. Not really. If you have the motivation you are educated in so many ways in life. But this ability-to-benefit is one that should be preserved. I will tell you there is a very considerable effort to eliminate it. I am not so sure the opposition is coming from just the administration or those who might ordinarily be opposed. You might also get it from different segments of the educational community where the policy is, take care of me first. They will talk loftily and in an altruistic fashion, but, as the Indian says, they talk out of both sides of their mouths. They talk with forked tongues.

Well, we see that. We know that. But the challenge is before us. I know the chairman feels as strongly as I do, and I am sure the members of the committee do. I hope so, because this is one fight we cannot afford to lose. It would be catastrophic. Not just from the business aspect; from what you do to human beings. You say you are down in a hole, you stay there. If you are going to get out, you are going to scratch on your own.

A lot of people do scratch on their own and get out. There are many people that cannot and will not, and they are doomed to an oblivious sort of life.

Mr. FORD. Thank you.

We will take a short recess to make this vote, and then we will start with the next panel, which is Mr. Richard Fogel, Director of Human Resources Division of the General Accounting Office; William Clohan, general counsel of Association of Independent Colleges and Schools; Jack Henderson, chairman of the Association of Independent Colleges and Schools and president of Branell College.

[Recess.]

Mr. BIAGGI [presiding]. The meeting is called to order.

Mr. Richard Fogel, Director, Human Resources Division, GAO; Mr. William C. Clohan, Jr., Clohan, Adams & Dean, general counsel, Association of Independent Colleges and Schools, accompanied by Mr. F. Jack Henderson, Jr., chairman, Association of Independent Colleges and Schools and president of Branell College.

Mr. Fogel.

STATEMENT OF RICHARD L. FOGEL, DIRECTOR, HUMAN RESOURCES DIVISION, GENERAL ACCOUNTING OFFICE

Mr. FOGEL. Thank you, Mr. Biaggi.

We are pleased to be here to discuss our August 1984 report, and I would request that my statement be submitted for the record.

Mr. BIAGGI. Without objection.

Mr. FOGEL. What I would like to do is summarize it and also several issues that have come to our attention, most of which have to do with some questions regarding, what you would call, the bottom line of our report and whether the methodology was proper. I would also like to comment that a lot of the issues that the other panelists may raise we have seen for the first time this morning, and I am really not prepared to comment on some of those.

But I would like to point out that we did this job at the request of the former chairman of the subcommittee and Congressman Gephardt, who had some concerns about whether things were operating right in the proprietary school program.

Mr. BIAGGI. What subcommittee?

Mr. FOGEL. This subcommittee.

Mr. BIAGGI. Gephardt?

Mr. FOGEL. It was when Representative Simon was the chairman of the subcommittee.

Our objective was to try to find out whether or not there were problems that existed that called for corrective action. Primarily we were really concerned with how well the Education Department was monitoring the program. To do that, we were concerned with the activities of four groups: the Education Department, the accrediting commissions, the State licensing agencies, and the independent public accounting firms.

To do the work, we judgmentally selected 15 States from which we randomly sampled 35 schools. These 15 States contained 1,165 of the 1,725 proprietary schools nationwide, and the students at these schools received about $185 million, or about 66 percent, of the Pell grant funds dispersed in the program year that we looked at, which was 1980-81.

Some have questioned the results of our work because of the way we drew the sample. I would like to say that we are confident of our results and that they do show that there are problems in this program that need correcting. It is undoubtedly true that if we had taken a larger sample size, in some cases the error rate of some of our estimates would have been reduced. But one of our concerns had to do with the resources we had available to conduct the job, and we had limited resources. So we made a decision to cut back on the size of the sample.

Considering the magnitude of the problems discussed in our report, we don't think a larger sample size would have materially changed the results. Let me give you an example. Some would say that a standard error of more than 10 percent would indicate that an estimate is unreliable. The question that we asked ourselves, is by whose standard? What we were attempting to do was to try to find out whether a problem existed. And if the rate of occurrence of that deficiency was 50 percent or 60 percent or 70 percent, our judgment was that we had a problem in the way the program ought to be administered and that some corrective action was warranted. Now cutting the sampling error, which in some of these cases would have meant quadrupling our workload to do so, was a judgment we made that it wasn't worth it given the magnitude of the problems that we uncovered.

Now what were some of those problems? A little less than two-thirds of the schools admitted students who did not meet the admission requirement that they have a high school diploma, a general education development certificate or ability-to-benefit. Now the majority of these students dropped out before completing their training, but they had received $13 million in Federal aid. In addition, students who met the ability-to-benefit criteria did drop out at a significantly higher rate than students who were admitted with a high school diploma or a GED certificate.

I would point out I have had a chance this morning just to glance at the testimony of some of the other panelists, and one of the things they do is take exception with how we calculated the dropout rate. We have not had a chance to look at their analyses, and I am not going to comment on the accuracy of what they did. However, I would like to make this point. We looked at the dropout rate this way. We looked at the school. If it had a year program, we looked at how many students entered at the beginning and at the end of the year's program, the difference being, how many dropped out. If they had a 6-month program, we used the criteria of the school.

One of the criticisms was that we did not use the exact criteria that Education had in their regulations dealing with some schools who "do not have what they would call a common academic year." What I would point out is I think there is some disagreement, and that it is our judgment that the dropout rate was really high for all students. Not just those that had ability-to-benefit but for everyone. And from a policy perspective for the Congress, what we wanted to do was report on that rate.

And about a third of the money that went to students in these schools in the year that we looked at, went to students who dropped out before they completed the program. You all have to make a policy judgment as to whether this is an acceptable program. There is no doubt that two-thirds of the money was well spent. Our position in the report was that we were uncomfortable with the fact that the statistics show that there was a high dropout rate. That is why we recommended Education take a look at the ability-to-benefit criteria to see if there is some way they could tighten up the criteria. Not to totally eliminate it, but as we said (and we assumed that Education working with representatives of the schools and the academic community) come up with some improved criteria.

Subsequently we found that Education has proposed in draft legislation—although we understand it isn't here yet—that they eliminate ability-to-benefit. We did recommend to Education that if they couldn't come up with this criteria, they should consider a legislative change. But I would suggest that our first course of action and what we wanted to have done was to have the Education Department take a hard look at that issue. Again, our statistics showed we identified a problem. Although there may be some disagreement on the magnitude of the problem, and I don't think any statistical analysis would show that it is not a serious problem. Even if you accept the comments of the other panelists that using their calculations the dropout rate of 36 percent, that is still above the 33 percent rate that Education says indicates a serious problem in the program and needs to be looked at.

We also found that over 82 percent of the schools failed to consistently enforce academic progress standards; about two-thirds of the schools misrepresented themselves to varying degrees, primarily when recruiting students and overstating such things as job placement rates; and that there were some problems in accurately computing and dispersing Pell grants. Again these issues aren't just a problem in proprietary schools. However, I would also like to point out that it was not in the scope of either the request we got from the subcommittee or our work, to compare the problems of proprietary schools with nonproprietary schools. The issue we were asked to look at was how well this program was being administered, and we found problems.

Mr. BIAGGI. If I may interrupt you for a moment just to make the point. I think you were here when I made some comments.

Mr. FOGEL. Yes.

Mr. BIAGGI. I clearly acknowledge any program should be monitored. And you come up with certain statistics and give or take a few points you still have a problem.

Mr. FOGEL. Right.

Mr. BIAGGI. As far as the ability-to-benefit to concern. In the city of New York I am sure you are aware that in the public schools there is a 45 percent dropout and there is a 70 percent dropout among minorities. And that is the public school system. So if you are going to question the expendiuture, the wisdom of the expenditure of the ability-to-benefit, then we should question the wisdom of providing monies for the public school system.

Mr. FOGEL. Well, I think that is a policy decision the Congress certainly has to make. And I think, it is a valid question to ask of any type of education program: Do the students who enter the program succeed, or what percent succeed? And I would certainly not suggest that we close the schools in New York City because there is such a high dropout rate. But it certainly should alert the Department that there is a problem that needs to be dealt with. And I was very impressed with the testimony of the woman from Wayne State. She said that the ability-to-benefit subset of students is more high risk. What they have found they have had to do, and apparently it is working fairly well there, is to give them some special attention and to help those students get their academic skills up to the level where they can really benefit from postsecondary education. But I don't think that it is improper to look at that type of issue when looking at how well a program is working.

One of our concerns when we——

Mr. BIAGGI. Excuse me, Mr. Fogel.

Mr. FOGEL. Yes, sir.

Mr. BIAGGI. We will have a recess.

[Recess.]

Mr. FORD. Why don't we start?

Mr. FOGEL. What I was saying, Mr. Chairman, was that in summary there might be some disagreement on the magnitude of the problems, but I think the bottom line of our report is that there are problems that ought to be addressed in this program. What we were concerned about is how the Department could adequately monitor and enforce the program. And quite frankly, I think I would really agree with Mr. Biaggi on this point. That it is really going to be up to the schools themselves to do most of this.

The Education Department has limited resources to conduct reviews and really monitor this program. And although they have proportionally spent more time looking at proprietary schools than other schools, the frequency with which they are able to do that still isn't too large.

We also found that State licensing agencies and accrediting associations don't offer a lot of potential for continually assisting the Department in these efforts. That really is not their role. The State licensing agencies don't have a lot of people and the accrediting process is obviously very important and provides assurance at a given point in time that the schools are adhering to correct policies, but it is really up to the schools to do it. Independent audits do offer the potential for helping Education with onsite monitoring because they are done at each school every 2 years. However, sometimes these audits fall short of Education's needs because they don't always adequately address compliance needs. But we did recommend, and Education has adopted this, that the inspector general work with the American Institute of Certified Public Accountants [AICPA] to give increased training to public accountants so when they do the audits at these schools every two years those audits are more complete.

I would also like to point out that Education has adopted our recommendation dealing not only with that, but also in dealing with the problem of timeliness of refunds. We did find some problems in that regard and they are planning to publish final regulations this summer requiring that such refunds be made to the Federal Government within 30 days of the date that a student leaves the school.

So with that I would like to offer my willingness to respond to any questions that you may have.

[Prepared statement of Richard Fogel follows:]

PREPARED STATEMENT OF RICHARD L. FOGEL, DIRECTOR, HUMAN RESOURCES DIVISION, GENERAL ACCOUNTING OFFICE

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here to discuss the General Accounting Office's August 1984 report, "Many Proprietary Schools Do Not Comply With Department of Education's Pell Grant Program Requirements." Our review was requested jointly by the former chairman of this Subcommittee and Representative Richard A. Gephardt because of their concerns about reports of proprietary schools abusing the Pell Grant program.

Proprietary schools are generally private vocational schools operated for profit. The objective of the Pell Grant program at these schools is to help financially needy students get training which will prepare them for employment. (The Pell Grant program is one of the largest financial assistance programs authorized under title IV of the Higher Education Act.) During the 1980-81 school year, the most recent complete year at the time of our review, $2.5 billion in Pell Grants were awarded to 2,855,000 individuals. About 300,000 of these students were attending proprietary schools and received about $278 million in Pell Grants.

Each participating institution is responsible, under an agreement it has with the Secretary of Education, for administering the Pell Grant program on its campus according to program rules and regulations. This includes requirements for determining student eligibility, calculating and disbursing grant funds, enforcing academic progress standards, and calculating and making refunds.

Four groups are involved in monitoring the participating schools' day-to-day administration of the Pell Grant program. These groups--accrediting commissions, state licensing agencies, the Department of Education, and independent public accounting firms--play varying roles in ensuring that institutions comply with program regulations.

We judgmentally selected 15 states from which we randomly sampled 35 schools to determine how they administer the Pell Grant program. The 15 states contained 1,165 of the 1,725 proprietary schools nationwide that received Pell Grant funds. Students at these 1,165 schools received $185 million, or 66 percent, of the $278 million of Pell Grant funds disbursed in the 1980-81 award year. At the 35 schools, we selected a sample of 761 students who received a Pell Grant for the first time. The student sample was representative of an estimated 123,000 Pell Grant recipients at the 1,165 schools.

While our selection does not allow us to project our findings to the 1,725 schools nationwide, our principal findings are representative with 95 percent certainty of the 1,165 schools from which we drew our sample.

In summary, we found that many school were not complying with program requirements. Some of these schools' questionable practices included (1) admitting unqualified students, who we found had a greater tendency to drop out of school before completing their training than did qualified students; (2) not establishing and/or enforcing academic progress standards; (3) misrepresenting themselves to prospective students; and (4) making errors in computing and disbursing Pell Grant awards and refunds. We recommended several corrective actions, and the Department of Education has taken steps to implement each of these.

NONCOMPLIANCE WITH PROGRAM REQUIREMENTS

Our review showed that at least 965 of the 1,165 schools did not comply with one or more program requirements. We estimated that these practices were costing the federal government millions of dollars. Some of the practices in question are summarized below.

--A little less than two-thirds of the schools admitted students who did not meet the admission requirement that they have a high school diploma, general education development (GED) certificate, or ability-to-benefit from training. The majority of such students dropped out of school before completing their training but not before they received $13 million in federal student aid. In addition, students who met the ability-to-benefit criteria dropped out at a significantly higher rate than students who were admitted with a high school diploma or GED certificate.

--Over 82 percent of the schools failed to consistently enforce academic progress standards, which usually consisted of minimum requirements for classroom attendance and grade point average. As a result, many students were allowed to remain in school and continued to receive federal funds when they were not making satisfactory academic progress, contrary to Education's regulations.

--About two-thirds of the schools misrepresented themselves to varying degrees--primarily when recruiting students--by overstating job placement rates, offering students "free scholarships" which did not reduce tuition, or inaccurately representing themselves in their advertisements.

--Under Education's regulations, schools perform the role of a fiduciary regarding their use of title IV funds. However, the federal government incurred additional costs under the Pell Grant program because many schools did not adequately carry out their responsibilities for (1) accurately computing and disbursing Pell Grant awards to eligible students and (2) making accurate, timely, and equitable refunds to students and the federal government when students fail to complete their training.

INADEQUATE MONITORING AND ENFORCEMENT

The Department of Education's regulations require that participating schools be audited by an independent public accountant at least once every 2 years. Schools must also be licensed by the state in which they operate and approved by an Education-recognized accrediting association. In its efforts to assure that schools comply with various Pell Grant program requirements, Education conducts on-site program reviews at some schools each year. However, the Department has limited staff resources to conduct these reviews and, therefore, can not adequately assure that schools comply with Pell Grant regulations.

Also, we found that state licensing agencies and accrediting associations offer little potential for assisting the Department in assuring that schools comply with program requirements. State licensing agencies are often hampered by staff shortages. The accrediting associations said that the accrediting process provides assurances only at a given point in time and that they are not responsible for continuously monitoring school activities, especially concerning compliance with federal laws and regulations.

Independent audits offer the potential for helping Education with on-site monitoring because they are to be performed at each school every 2 years. However, these audits fall short of meeting Education's needs because they do not always adequately address compliance issues (such as schools' compliance with admission or academic progress requirements), or in some cases do not fully disclose the audit findings to Education.

The quality of the audits performed by independent public accountants is evaluated through quality assessment reviews performed by Education's Office of the Inspector General. The Inspector General has found problems with some independent audits, such as not providing adequate coverage or testing of compliance issues. In some instances the Inspector General has rejected audit reports and/or the audit work supporting them. However, the Inspector General has not established an effective system for gathering and using the reasons for such rejections as a basis for improving audit quality. This information, if properly analyzed, could form the basis for assessing the extent to which the work of public accountants can be relied upon, and for determining how the quality of such work can be improved.

RECOMMENDATIONS TO THE SECRETARY OF EDUCATION

In view of the significantly higher dropout rate for students admitted on the basis of an ability-to-benefit criterion, we recommended that the Secretary explore the feasibility of developing criteria that would provide schools a better indication that such students have a reasonable likelihood to complete training. If suitable criteria cannot be developed, we recommended that the Secretary seek a legislative change to limit admission to students with a high school diploma or GED certificate.

To improve the monitoring and enforcement of school compliance with Pell Grant regulations, we recommended that the Secretary ask the Inspector General to gather information on why they reject the audit work and reports of independent public accountants. The analysis of this information could then be used by the Inspector General as a basis for assessing and, where necessary, improving the quality and reliability of independent audits.

In regard to the latter point, we suggested that a collaborative effort with the American Institute of Certified Public Accountants (AICPA) would seem to be most useful. The overall result of this effort would be the development of better information for Education to use in monitoring compliance. Such information, together with its program reviews and Inspector General audits, should allow Education to better assure that problems such as those noted regarding recruiting practices, adherence to academic progress standards, and administering federal funds are identified and remedial or other enforcement action is taken where appropriate.

DEPARTMENT OF EDUCATION ACTIONS

Since the report was issued, Education has taken action to implement each of our recommendations. Education said it recognized the potential for abuse inherent in the ability-to-benefit clause and will propose its deletion from the Higher Education Act. As of today the Department's legislative proposals relative to the Higher Education Act's reauthorization have not been submitted to the Congress.

Education's Inspector General is developing a reporting system to gather the type of information we recommended for use in improving the quality and reliability of public accountant audits. Further, the Inspector General is assisting the AICPA to develop a training course for public accountants covering the audit requirements for federal student financial aid programs. The course is scheduled to be presented this winter. Further, the AICPA conducted a national conference on auditing federal assistance programs in which the Inspector General participated. The conference was held on July 25 and 26, 1985, and was attended by practicing public accountants and federal, state, and local officials.

Finally, in view of our findings regarding the timeliness of refunds, Education said it plans to publish final regulations this summer requiring that such refunds be made to the federal government within 30 days of the date a student leaves school.

We will continue to monitor Education's steps to implement our recommendations.

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Mr. Chairman, this concludes our statement. We will be happy to answer any questions at this time.

Mr. FORD. Mr. Clohan?

STATEMENT OF F. JACK HENDERSON, JR., CHAIRMAN, ASSOCIATION OF INDEPENDENT COLLEGES AND SCHOOLS AND PRESIDENT BRANELL COLLEGE, ACCOMPANIED BY WILLIAM C. CLOHAN, JR., CLOHAN, ADAMS & DEAN, GENERAL COUNSEL, ASSOCIATION OF INDEPENDENT COLLEGES AND SCHOOLS, AND ALICE T. DIAMOND, FINANCIAL AID CONSULTANT

Mr. CLOHAN. Thank you, Mr. Chairman, and members of the subcommittee. We appreciate the opportunit to testify before the subcommittee this morning on a very important issue; specifically, the GAO report on Pell grant administration. I am William Clohan, and I serve as general counsel for AICS, the Association of Independent Colleges and Schools, as well as the Accrediting Commission, which is related to the association but slightly independent.

With me is Jack Henderson, who is president of Branell College in Chattanooga, TN, and also serves as chairman of the AICS Accrediting Commission. Alice Diamond, to my right and your left, is a former Federal audit official, program review officer, who recently completed an analysis of the raw data submitted by the GAO to determine the background of their study and whether in fact the methodology or the application to regulations was appropriate. This study was funded by AICS as well as the National Association of Trade and Technical Schools and the National Accrediting Commission of the Cosmetology Arts and Science.

I will not focus this morning on the sample size or the manner in which the GAO determined that 35 institutions were appropriate for their study and subsequent extrapolation. Statisticians can disagree. Appended to Ms. Diamond's study is a review by a local firm on the statistical basis of their study.

What we are concerned with this morning is the application of Department of Education regulations and also perhaps independent policy judgments that may have skewed the results in the GAO report. I hate to ever come before this committee or being involved in an activity where I feel like I have to be defensive for my clients, and perhaps even for the students, that the AICS and other associations represent. I, therefore, will try to be as neutral and objective as possible in my presentation, and then on a more positive train I think that Mr. Henderson will go through some of the actions taken by the accrediting body in the areas or the issues identified in the GAO report.

Frankly, AICS and the other associations representing private career schools and colleges were quite surprised by the findings in the report since our telephone interviews of the schools that were visited had almost uniformly reported that the reviews had gone well and that auditors had found few or no exceptions. Also, the regional summaries prepared by the GAO audit teams were likewise very positive. Because of the great discrepancy, the specific associations I mentioned commissioned a study of the findings and attempted to replicate the numbers cited in the GAO report. Although, Ms. Diamond only had 2 full days to review the audit files, based on our preliminary study we have serious concerns about the use of the report in making policy judgments.

I would like now to take some of the specific items that were identified in the report and give our specific responses to them. First, under the admissions requirements category, we feel that admissions requirements for non-high school, non-GED students are adequate for career training. Based on the differential completion rate of non-high school graduates versus high school graduates which their study found, the GAO suggested, of course, as we have discussed, that participation in the Federal aid programs be limited to high school graduates or GED candidates, or GED recipients, unless a more objective method of determining the student's ability to benefit was developed. We are concerned about that recommendation because, first, as many of us know and as Mr. Biaggi pointed out, the existence of a high school diploma in and of itself is not necessarily a good predictor of a student's ability to perform academically or perform later in life in a career. Second, statistics show that an increasing high percentage of students are not finishing their high school education. We cited the New York State statistics where 48 percent complete high school. And nationwide currently 26 percent of all adults did not graduate from high school. To tell these students or the neediest of the needy that they will never be afforded the opportunity or another chance to continue their education seems contrary to our basic principles of American democracy and certainly inconsistent with the legislative priorities established by this Congress in previous years.

The second item. Raising admission standards would limit opportunity for almost 1 million students who could otherwise learn a skill. Not all jobs do require a high school diploma, but by far the majority require a saleable skill. We, representing the proprietary sector of higher education, are proud to give those underskilled the skills they need for productive jobs. A more realistic goal was for the underprivileged to move from a life of welfare to one of financial independence and, ultimately, dignity. AICS is appalled by the recent studies which have shown that the number of minority students going into postsecondary education is declining substantially. These students are a high risk group, and it is expected—and when I say "these students" I am now talking about the ability-to-benefit students—and it is to be expected that they will complete at a lower rate than those students who have come from both financially and academically supportive environments.

I would like to concur with the witness from Wayne Community College in saying that support services also need to be given to these students in the form of tutorial programs, remediation, specific financial and social support. And most all of our schools we represent do give that additional support.

The GAO study shows that the completion rate of these students is approximately 14 percent lower than that for students who have a high school degree, or diploma. Even if one accepts the statistics, and I will point out later where we have some problems with it, we feel that it is a realistic risk for Congress to take to break the cycle of poverty for those students.

Third item. Dropping out does not mean that the student and society have not benefited, nor does it mean that the Federal dollars have been wasted. The heavy dependence on dropout rate figures is that they do not take into account the many positive terminations—which is not a Clint Eastwood term, it is a very positive thing—which occur among students seeking job skill training. The GAO assumed that all of the funds spent on students who did not complete their training were totally wasted. It is entirely possible and it occurs all the time for a student to be able to find a job several months after starting their program but before graduation.

For example, in a business school, if a student enters a 12-month secretarial program, often, particularly in areas that have high employment rates—Boston, Dallas, and so forth—they will get 60 words a minute in typing, and 90 words a minute in dictation, and they find a job and they decide to opt out of the program. The student and society has benefited from the student's educational experience.

Fourth item. Private career schools' completion rate is higher than its public counterpart. The private career schools' success rate is higher according to the NCES Digest of Educational Statistics for 1982. This is basically the same time frame that we are talking about in the GAO report. We don't point this out to criticize our friends in the public sector, but instead to question further the use of completion rates as an indicator of success in and of itself.

Fifth. GAO's drop rates are overstated. As pointed out by the GAO witness, there are some problems with the manner in which, or some disagreements with the manner in which dropout rates should be calculated. It is clear from our research that a quite different formula was applied than is used by the Department of Education and upon which all schools are audited by the Department of Education. When Ms. Diamond calculated the drop rate for an institution cited in the GAO report as having a 57 percent drop rate, she found that the correct figure using the Department of Education's standards is only 36 percent; that is, the GAO overstated the figure by 59 percent. We feel that the GAO should have utilized the dropout formula that is required by the General Administrative Standards regulations.

Sixth. The GAO report alleges Department of Education requirements which are not found in regulation. We feel that the GAO has mistakenly felt that students are required to use an exam in order to demonstrate the ability to benefit. On page 7 of the report the auditor states that the admissions criteria must use a test or other verifiable basis. The Department does not in fact specify how a school may determine a student's ability to benefit. When these regulations were initially proposed several years ago in the NPRM, they were dropped subsequently and the final regulations don't have that requirement.

The second major topic was satisfactory progress. The first item under satisfactory progress is that a major shift in emphasis on satisfactory progress has changed the degree of compliance in this area from the 1980-81 year that was under the GAO study. I think that is true in all sectors of higher education. In fact, in October 1983 the Department of Education specifically issued final regulations which increased current compliance on satisfactory progress. Two of the three accrediting commissions that are involved in this presentation this morning have now issued minimum satisfactory progress standards for their institutions to follow, and the third is in the process of developing such procedures. As a matter of fact, in both of these cases the standards are higher or tighter, however you want to look at it, than the regulations of the Department of Education.

The third item is that the GAO did not always follow Department of Education regulations when auditing satisfactory progress. They failed to differentiate between funds received prior to a student's ceasing tc make academic progress or satisfactory progress versus those received after a student had failed to make satisfactory progress. It is unclear to us whether they reported only the funds received by students after they ceased to make satisfactory progress. Funds that the student received before failing to make satisfactory progress should have been eliminated from the GAO calculation of wasted or misused funds. It may get a little complicated. My point is that if eventually a student was eliminated or dropped out of school because he failed to make satisfactory progress, it is our understanding that GAO included in their calculation of wasted funds everything that had been paid to date. That puts the institution in a very difficult position. You know, it is a catch-22. If they kick them out right away, then we have problems with not providing access or due process. On the other hand, if they retain them and try to work with them, and ultimately they still drop out or don't make progress, then all those funds are considered to be wasted, which I think is inappropriate.

Fourth item. Academic progress standards which allowed a lower grade point average at an earlier stage of the student's academic program are consistent with normal higher education practices. It is frequently the case that a higher education institution will allow a student a lower grade point average during the course, or during the program, than that which is required for graduation. As long as it is mathematically possible to obtain the graduation requirement standard, then it should be considered proper.

And I noted just yesterday in the NASFAA's recent journal that there is an example of a satisfactory progress requirement at Kansas State University which very clearly allowed a 1 and progressively a higher GPA up to a 2 for graduation. So it is a standard used throughout the higher education community.

Fifth item. Private career schools place emphasis on attendance. However, attendance is not a required component of satisfactory progress. And they found that attendance policies at these institutions were liberal. At least in 133 of them. However, the GAO did not indicate that at most public and private nonprofit institutions there is no written attendance policy at all. We do believe that the failure to attend training sessions will ultimately result in low

GPA's and in inadequate progress toward the degree or diploma. Again, the 1979 Federal Register actually removed a section of the regulation solely because that section implied that vocational schools were required to keep attendance.

Six. Control against expenditures for absences is found in the regulations for clock hour schools. It has to be emphasized that excessive absences do not result in additional cost to the Federal Government in the clock hour schools. In many clock hour institutions students are permitted to be paid only after they have completed the hours for which they are paid. It is interesting to note that when a similar concept of defined completion quantity before a new payment was proposed for credit hour institutions they were appropriately objected.

The third major area of consideration is award miscalculation. The error rate identified in the GAO report in award calculation at private career schools does not exceed that found at other schools as identified by the quality control study produced for the Department of Education. And notwithstanding that, we, of course, dispute many of the citations of award calculation made.

I have listed on pages 13 and 14 several of the specific findings from some of the files that we reviewed that the GAO used as the basis for their calculations. I will not read them. I hope that the staff and some members will have time to go through them. But they point out some of the miscalculation problems in coming up with a conclusion in the report.

I will point out that this analysis again was done by Ms. Diamond who is well known in her field, and certainly you can check on her credentials, and in my opinion she is the most expert person in student aid audit. She was at the Department, at HEW, and did student aid audit work, and currently not only does audit work for institutions but also trains a large segment of the postsecondary student aid officers throughout the country.

The fourth major area is misrepresentation. The GAO specifies as a questionable recruiting practice the use of scholarships or tuition waivers to attract students. The use of the telephone was similarly considered as questionable even though many universities are successfully using similar techniques.

The GAO was also concerned about misrepresentation with respect to job placement rates. Although the Veterans' Administration, an arm of the Federal Government, subtracts from both the placements and the total graduates those who are unable or unavailable for placement, the GAO apparently felt that this was inappropriate and cited schools for using this system which is approved by another Government agency. In essence, the GAO implies it would prefer a placement rate which included all admitted students whether they had graduated or not.

Accrediting commissions definitely are as concerned as the Government over misrepresentation on the part of its members. The content of school catalogs is measured against the reality of the institution during a site visit. There is continuous monitoring of their advertisements. And frankly, competition in the marketplace forces many schools to carefully monitor the recruiting practices of other schools seeking the same students.

Our objection, therefore, is based upon the value judgments with which the auditors approached the topic and their indictment in the school in each case, rather than undertaking an investigation of the allegations per se.

The first item is monitoring. As was noted by the GAO witness, proprietary schools have more checks and balances and are monitored more frequently than their public school counterparts. For example, most of the schools receive routine visits from their State licensing boards, from the Veterans' Administration and, of course, the accrediting commission. I am continually struck by the complexity and the large body of policy decisions in title IV, in their policy decisions and memos and regulations, and come to the opinion—I have heard it stated by the chairman many times—that there will always be a large opportunity for human error that cannot be regulated, legislated or fully monitored.

The report suggests that accrediting agencies should provide assurances that the Federal requirements are adhered to. While the role of the accrediting agency and the Federal Government are complementary, they should not be confused as identical. As a third-party attorney counsel to at least one accrediting commission, I would like to personally dispel the myth that I think maybe pervades parts of Congress, at least it is in the education community, that particularly in the proprietary sector that the objective of the accrediting commission is to draw in as many schools as they can so that those schools will become members of a related association. I can tell you, if anything, the opposite is true, and I continually have to ride herd over the accrediting commission to make sure that they are not too tough on the schools and, in fact, that due process is a very large component of it. And frankly, if anything, there is an incentive to exclude schools. I have heard that myth before, and I just felt it is worth challenging.

At this point I would like to pass the mike to the chairman of the AICS Accrediting Commission as he summarizes some of the current activities of that commission in dealing with some of the issues that were also discussed in the GAO report.

Mr. **Henderson**. Thank you, Bill. Thank you, Congressman Ford and members of the subcommittee for the opportunity to come before you and for your interest in the matters that have been discussed here today.

Voluntary accreditation of institutions of postsecondary education in the United States is the centerpiece for the concept of self-regulation. Voluntary accreditation promotes quality without inhibiting innovation. The responsibility of the AICS Accrediting Commission with regard to Federal programs involves two main objectives: Public trust of the Federal dollar and consumer protection for the student. In addition to reviewing the quality of academic programs, the accrediting body regularly monitors the admissions, recruitments, standards of satisfactory progress, refund policies, and counseling and guidance activities. The GAO report being discussed today notes that there are limits on the appropriateness and capability of accrediting bodies to monitor in detail the use of Federal student assistance. In essence, the AICS Accrediting Commission like other accrediting bodies expects all institutions involved in the student financial aid programs to be knowledgeable of and in compliance with the appropriate laws and regulations.

In an effort to carry out the effectiveness of its role to protect students and to ensure the proper use of the public funds, the AICS Accrediting Commission as well as the accrediting bodies of NATTS and NACCAS have taken many steps recently to improve the monitoring of the institution. The following is a summary of actions taken by the AICS Accrediting Commission in recent months, and this comes as a result of an issues and concerns committee which was established by the commission and began its work in August 1983.

The commission has modified the criteria by which the institutions are to be judged, thus affecting changes in recruiting, admissions, particularly with regards to the ability-to-benefit students, standards of academic progress for students receiving Federal student financial assistance, outcomes of the educational experience of the student. And once again, this is particularly as it relates to the ability-to-benefit students. We are asking the institutions to document the relationship of those that are admitted as ability-to-benefit students and their outcomes. And also a requirement in this area is the institutions are required to have supportive services, remedial programs for institutions that admit a high number of high-risk students. Management of the institution and educational quality are also changes that have been made in the criteria.

The commission has also made changes in the evaluation process as it evaluates and reviews institutions. We have made our visits longer. We have better organized the evaluation team. More detailed instructions have been given to evaluating teams regarding what we expect of them. We have better trained evaluators, more attention to evaluation of the educational programs is in place, and branches are now being treated as freestanding institutions.

I have highlighted some of the issues in the written testimony about the issues that concern where the Department of Education and the accrediting bodies are in disagreement. There are and there should be limitations on the role and responsibilities of both the Federal Government and the accrediting bodies. The accrediting bodies should not be held accountable for all of the details of the institutions' administration of student financial aid. Likewise, the Federal Government should not intrude into issues involving the evaluation of academic quality and the establishment of academic programs. It is very important that both parties clearly delineate these roles. It is for this reason that AICS has sent to you, Chairman Ford, and Mr. Coleman, a legislative recommendation which would define these roles.

In summary, I feel that to use the GAO report for other policy determinations is questionable. The small sample used as the basis for the report appears questionable in view of the heterogeneity of the proprietary sector and makes general estimates and conclusions somewhat askew. Further, the examination of this sector without benefit of comparison to other sectors on such dimensions as completion rates and satisfactory progress weakens the validity of the study and merely stigmatizes our schools for problems which all institutions of higher education are facing. Finally, the use of auditors who are not fully knowledgeable in Pell grant regulations and who impose their own value judgments when determining misrepresentations appears to have seriously biased the report.

We hope the committee will take the necessary time to read our response to the GAO report so as to put the findings contained herein in proper perspective. Thank you.

Mr. FORD. Thank you.

[Prepared statements of F. Jack Henderson and Alice T. Diamond follow:]

PREPARED STATEMENT OF F. JACK HENDERSON, JR., PRESIDENT, BRANELL COLLEGE AND CHAIRMAN, AICS ACCREDITING COMMISSION; WILLIAM C. CLOHAN, JR., AICS GENERAL COUNSEL; ACCOMPANIED BY: ALICE DIAMOND, FINANCIAL AID CONSULTANT

EXECUTIVE SUMMARY

I. ADMISSIONS REQUIREMENTS

- o Admissions Requirements for Non-Highschool, Non-G.E.D. Students are Adequate for Career Training
- o Raising Admissions Standards Would Limit Opportunity for Almost a Million Students Who Could Otherwise Learn a Skill
- o Dropping Out Does Not Mean That the Student and Society Have Not Benefited
- o Private Career Schools' Completion Rate is Higher Than its Public Counterpart
- o GAO's Drop Rates are Overstated
- o The GAO Report Alleges Department of Education Requirements Which are Not Found in Regulations

II. SATISFACTORY PROGRESS

- o A Major Shift in Emphasis on Satisfactory Progress has Changed the Degree of Compliance in This Area From the 1980-81 Year
- o The GAO Did Not Always Follow Department of Education Regulations When Auditing Satisfactory Progress
- o Academic Progress Standards Which Allow a Lower Gradepoint Average at the Earlier Stages of the Student's Academic Program are Consistent with Normal Higher Education Practices
- o Private Career Schools Place Emphasis on Attendance. However, Attendance is Not A Required Component of Satisfactory Progress
- o Control Against Expenditures for Absences is Found in the Regulations for Clock Hour Schools

III. AWARD MISCALCULATION

- o The Error Rate Identified by the GAO in Award Calculation at Private Career Schools Does Not Exceed That Found at Other Schools as Identified by the Quality Control Study Produced for the Department of Education
- o Many Citations for Award Calculation Represent Lack of Familiarity With Regulations or Inappropriate Application of These Regulations

IV. MISREPRESENTATION

- o Proprietary Schools Follow Standard Recruitment and Placement Practices

V. MONITORING

- o Proprietary Schools Have More Checks and Balances and are Monitored More Frequently Than Their Public School Counterparts
- o Accreditation Provides Adequate Assurance of Academic Quality
- o Although ED Does Have Limited Resources for Program Reviews, Proprietary Institutions Participating in the Student Aid Programs are Reviewed at a Higher Rate Than Non-Profit Institutions
- o The Accrediting Bodies Have Recently Made Criteria Changes Affecting Issues Discussed in the GAO Report
- o Accrediting Associations and the Department of Education do Differ Over Their Roles and Responsibilities on Some Issues

Mr. Chairman. Members of the Subcommittee. I appreciate the opportunity to testify before the Subcommittee this morning regarding the General Accounting Office (GAO) study of proprietary schools' compliance with Pell Grant program regulations. As you know, this study reviewed 35 schools, and on that basis extrapolated dollar liability figures for 1165 institutions. I am William Clohan and I serve as the General Counsel for the Association of Independent Colleges and Schools (AICS), as well as to the accrediting commission which accredits the schools which were studied in this report. I have attached to the testimony a fact sheet describing our organization and profiling the typical students who attend private career schools.

With me today is F. Jack Henderson, Jr., President of Branell College in Chattanooga, Tennessee, and Chairman of the AICS Accrediting Commission. He will speak briefly on the role of the Accrediting Commission and the policies adopted by the Commission to protect students and ensure proper use of federal and state funds. Also with me is Alice Diamond, a former Federal financial aid Program Review Officer, who has recently completed an analysis of the raw data of the audit findings cited in this report at the request of AICS, the National Association of Trade and Technical Schools, and the National Accrediting Commission of Cosmetology Arts and Sciences. We hope that her familiarity with the actual student and school files reviewed by the GAO and her expertise in student aid administration will assist in answering your specific questions about this study.

We appreciate the opportunity to comment on the GAO report. Frankly, we were surprised by the findings in that report since our telephone interviews of the schools that were visited had almost uniformly reported that the reviews had gone well and that the auditors had found few or no exceptions. Comments by the auditors such as "There is no exit interview, since there is not a thing you are doing wrong." or, "We have been called back to the office because we are not finding anything which would justify our time continuing this study," were common. Other indications that the auditors were well-pleased with the administration they found is available through concrete evidence such as the fact that one auditor immediately enrolled his grandson in the school he had just reviewed.

The Regional summaries prepared by the GAO audit teams were likewise very positive. For example, one summary stated "In our opinion, none of the schools are using questionable recruiting practices," and that they found all schools in compliance with respect to satisfactory progress.

Because of the great discrepancy between what we read in the report versus what we heard from our members who had been audited, the accrediting commissions representing private career schools commissioned a study of the findings and attempted to replicate the numbers cited in the GAO report. Although we have had only two days to review the audit files, based upon our preliminary study we have serious concerns over the use of this report in making policy decisions. The purpose of our testimony today is to share with you the results of this analysis as well as to talk about some of the larger policy issues raised by the audit.

The GAO findings are divided into the following five major areas:

1. Schools' admissions criteria, which the GAO linked to low completion rates.
2. Failure of schools to monitor satisfactory progress.
3. Award miscalculations.
4. Misrepresentation.
5. Inadequate monitoring of schools by other agencies.

We will address each of these issues.

I. ADMISSIONS REQUIREMENTS

ADMISSIONS REQUIREMENTS FOR NON-HIGHSCHOOL, NON-G.E.D. STUDENTS ARE ADEQUATE FOR CAREER TRAINING

Based upon the differential completion rate of non-highschool graduates versus highschool graduates which their study found, the GAO suggested that participation in the financial aid programs should be limited to highschool graduates unless a more "objective" method of determining the student's ability to benefit was developed.

We strongly object to this recommendation for many reasons. First, our members have reported to us that the existence of a highschool diploma is in itself a very poor predictor of a student's ability to perform academically. More and more, schools are finding students graduating from the public high-schools who still have not honed their basic reading and math skills. Further, statistics show that an increasing percentage of students are not finishing their highschool education. Each year, more than one million youngsters drop out of highschool. In the New York State alone, only 48 percent complete highschool. Nationwide, about 26 percent of all adults did not graduate from highschool. To tell the neediest of the needy that they will never be afforded another chance to continue their education seems contrary to the principles of American democracy and the legislative priorities established by the Congress.

RAISING ADMISSIONS STANDARDS WOULD LIMIT OPPORTUNITY FOR ALMOST A MILLION STUDENTS WHO COULD OTHERWISE LEARN A SKILL

Not all jobs require a highschool degree, but by far the majority do require a saleable skill. We, as a sector of postsecondary education, are proud to give these under-skilled the skills they need for productive jobs. We recognize that there is an "American dream" other than that of students from the ghetto going on to graduate with a PhD from Harvard. While this whiz kid scenario will occur, a more realistic goal is for the underprivileged student to move from a life of welfare to one of financial independence and dignity. The definition of success as "not how far you have gotten, but how far you had to go to get there," is nowhere more applicable than in the efforts of private career schools and colleges.

AICS is appalled by the recent studies which have shown that the number of minority students going into postsecondary education is declining, perhaps as much as 15 percent from what it was in the late 1970's. It recognizes the group with which it deals is risky, but we object to the suggestion that the solution is changing our admissions standards. If AICS changes its admissions standards, many of these students will not be given an opportunity and this is counter to the commitment it has made to help these students. These students are a high-risk group and it is to be expected that they will complete at a lower rate than those students who have come from both financially and academically supportive environments. But every non-highschool student who has a positive experience, gets a job, gets off welfare, and starts paying taxes, starts a whole new generation of families paying taxes and becomes part of the traditional American mainstream.

The GAO study shows that the completion rate of these students is approximately 14 per cent lower than that for students who have a high-school degree or diploma. Even if one accepts the statistics, and we shall show subsequently our concerns about the calculation of these statistics, we feel that that is a realistic risk for Congress to take to break the cycle of poverty for these students. It is indeed unfortunate that the GAO has not netted out from its calculations the revenue which the Federal government receives from the taxes paid on income that graduates pay as well as the dollars the government is spared from spending for welfare benefits for such students who have broken this cycle.

DROPPING OUT DOES NOT MEAN THAT THE STUDENT AND SOCIETY HAVE NOT BENEFITED

Another objection to the heavy dependence on drop-out rate figures is that they do not take into account the many positive terminations which occur among students seeking job skill training. The GAO assumed that all of the funds spent on students who did not complete their training were totally wasted. Non-completion from the training does not necessarily mean that the student did not benefit from the training nor does it mean that the government has "wasted" funds on such students. For example, in a city which has a very low unemployment rate, it is entirely possible that a student will be able to obtain a job several months before graduation. Whereas a student may have initially intended to receive an executive secretary degree with a legal speciality, he/she may decide to terminate training after obtaining sufficient secretarial skills. This student, and society, has nevertheless benefited from the student's educational experience.

PRIVATE CAREER SCHOOLS' COMPLETION RATE IS HIGHER THAN ITS PUBLIC COUNTERPART

While completion rates among this high risk group may be lower than desired, it should be noted that the private career schools "success" rate is higher than that of the publics in occupational programs. We have entered into testimony the Digest of Educational Statistics for 1982 which shows that the completion rate at private schools was 61.4 percent versus 37.6 percent in occupational curriculums at public schools. We point this out not to criticize our friends in the public sector, but instead to question further the use of completion rates as an indicator of "success," in and of itself. Standing alone, however, we feel that this clearly indicates that the sector is committed to working with these students and has developed effective techniques to try to overcome some of their complex emotional and financial problems.

GAO'S DROP RATES ARE OVERSTATED

We also question the drop-out rates which were calculated. Our skepticism in the numbers was triggered by the fact that the National Center for Education Statistics, as well as the accrediting commissions, through their annual reports, find far lower drop-out rates. Although we received many different explanations of how GAO calculated the withdrawal rate, it is clear from our research that quite a different formula was applied than is used by the Department of Education. When Ms. Diamond calculated the drop rate for an institution cited in the GAO audit as having a 57 percent drop rate, she found that the correct figure using Department of Education standards is only 36 percent. GAO's formula overstated the figure by over 59 percent, because it looked at a full twelve months of student terminations, rather than the eight months that is specified in the regulations.

We feel that the GAO should have utilized the drop-out formula that is used in the General Administrative Standards Regulations so that a comparison could be made of these schools' drop-out rates with those considered acceptable by the Department.

THE GAO REPORT ALLEGES DEPARTMENT OF EDUCATION REQUIREMENTS WHICH ARE NOT FOUND IN REGULATIONS

We object to the GAO's findings on both technical and philosophical grounds. With respect to the technical issues, we feel that GAO has mistakenly felt that schools are required to use an exam in order to demonstrate ability to benefit. On page seven of their report, the auditors state that the admissions criteria must use a "test or other verifiable basis." The Department does not, in fact, specify how a school may determine a student's ability-to-benefit. The General Administrative Standards Regulations allows interviews or other subjective criteria. When these Regulations were initially proposed, schools were to have been restricted to certain types of the ability to benefit measures. For example, it was stated that the interview had to be conducted by someone not affiliated with the school. However, student-by-student documentation of the ability to benefit was dropped in the final regulation issued on December 30, 1980, as was the specification of allowable means of measurement.

II. SATISFACTORY PROGRESS

A MAJOR SHIFT IN EMPHASIS ON SATISFACTORY PROGRESS HAS CHANGED THE DEGREE OF COMPLIANCE IN THIS AREA FROM THE 1980-81 YEAR

A major shift in policy and emphasis in the area of satistfactory progress has substantially improved the compliance of all institutions in the satisfactory progress area. We concur that there were probably a number of institutions which had not fully developed satisfactory progress policies during the period being audited. In fact, in the GAO report entitled "Students Receiving Federal Aid Are Not Making Satisfactory Academic Progress: Tougher Standards are Needed" a similar problem was noted with respect to the entire higher education community. We know from reviewing the auditors' workpapers, however, that improvement in this area was evident during the 1981-82 year, and has no doubt continued in a positive direction since then.

Undoubtedly, one of the factors leading to increased current compliance in this area was the publication of expanded regulations on satisfactory progress in October 1983. These regulations specified the required components of an institutional policy and were most helpful to schools in assuring that their policies were comprehensive and within the spirit of the law and regulations.

Partly as a result of these regulations, two of the three accrediting commissions have now issued minimum satisfactory progress standards for their institutions to follow. The third, the National Accrediting Commission of Cosmetology Arts and Sciences, is in the process of developing such procedures. Therefore, we think that the finding of non-compliance with respect to satisfactory progress is now largely a historical artifact, and not a current policy or enforcement concern.

THE GAO DID NOT ALWAYS FOLLOW DEPARTMENT OF EDUCATION REGULATIONS WHEN AUDITING SATISFACTORY PROGRESS

Despite our acknowledgement of the fact that satisfactory progress was probably an area of concern among private career schools during the period, we question certain of the statements made in the GAO report. GAO failed to differentiate between funds received prior to a student ceasing to make satisfactory progress versus those received after a student had failed to make satisfactory progress. It is unclear whether GAO reported only the funds received by students after they ceased to make satisfactory progress. In stating the potential Federal dollar liability, funds that the student received before failing to make satisfactory progress should be eliminated from the GAO calculation of wasted or misused funds.

ACADEMIC PROGRESS STANDARDS WHICH ALLOWED A LOWER GRADEPOINT AVERAGE AT THE EARLIER STAGES OF THE STUDENT'S ACADEMIC PROGRAM ARE CONSISTENT WITH NORMAL HIGHER EDUCATION PRACTICES

The GAO questioned whether a student is making satisfactory academic progress if the standard is lower than that required for graduation. It is frequently the case that academic institutions allow a student a lower gradepoint average during the course than that which is required for graduation. As long as it is mathematically possible to obtain that average by graduation, such should not be considered improper. It is impossible to predict in advance whether a particular student will not eventually attain the G.P.A. level required for graduation. Lower grade averages earlier in the academic program recognize the often difficult adjustments to a new learning environment, particularly for students from lower socioeconomic backgrounds.

PRIVATE CAREER SCHOOLS PLACE EMPHASIS ON ATTENDANCE, HOWEVER ATTENDANCE IS NOT A REQUIRED COMPONENT OF SATISFACTORY PROGRESS

The GAO found that written attendance policies were "liberal at 133 institutions." However, the GAO did not indicate that at most public and private non-profit institutions, there is no written attendance policy at all. While we do not condone non-attendance during training sessions, we do believe that the failure to attend training sessions will ultimately result in low G.P.A's and inadequate progress toward the degree or diploma. Therefore, there is a built-in mechanism for terminating those students who miss excessive classes.

We believe that private career schools and colleges should have the same option with respect to including or not including attendance as a component of their satisfactory progress policy as do their non-profit counterparts. Support for this can be found in the September 17, 1979 Federal Register which removed a section of the regulations solely because that section implied that vocational schools were required to take attendance.

CONTROL AGAINST EXPENDITURES FOR ABSENCES IS FOUND IN THE REGULATIONS FOR CLOCK HOUR SCHOOLS

It should be further emphasized that excessive absences usually do not result in additional cost to the Federal government. At many clock hour institutions, students are permitted to be paid again only after they have completed the hours for which they were paid. This is true at institutions which have a fixed number of hours required for graduation. In those cases, even though it takes longer before a student gets a subsequent disbursement, the Federal government does not pay again until the student has completed a certain minimum amount of work. It is interesting to note that when a similar concept of a defined completion quantity before a new payment was proposed for credit hour institutions, they appropriately objected. At such schools, students may enroll for twelve credit hours, drop to no credit hours, and re-enroll for the same courses the next semester and receive additional financial aid. This would not be the case in clock hour schools of the type we have just discussed, in that the student would have had to physically complete the hours before being paid again.

III. AWARD MISCALCULATION

THE ERROR RATE IDENTIFIED BY THE GAO IN AWARD CALCULATION AT PRIVATE CAREER SCHOOLS DOES NOT EXCEED THAT FOUND AT OTHER SCHOOLS AS IDENTIFIED BY THE QUALITY CONTROL STUDY PRODUCED FOR THE DEPARTMENT OF EDUCATION

The Quality Control Study conducted for the Department of Education by Advanced Technology showed that more than 42 per cent of all program participants received incorrect awards due to institutional errors during the 1980-81 period. This is in contrast to the GAO study being discussed which estimates that 37 per cent of private career schools had calculated awards incorrectly. We, of course, dispute, in the following subsection, many of the citations of award miscalculation. While we do not countenance the errors made, we feel that it is significant in that it points out that this is not a proprietary school problem, but rather a problem in the Pell Grant program nationwide.

MANY CITATIONS FOR AWARD CALCULATION REPRESENT LACK OF FAMILIARITY WITH REGULATIONS OR INAPPROPRIATE APPLICATION OF THESE REGULATIONS

We have also questioned the technical accuracy of the findings made. For example, we have found:

- a case in which the auditor said an entire program was ineligible when only 100 hours of it were not eligible for payment.

- an example where the auditor stated that 35 percent of the students had been underawarded, when two-thirds of this error was due to a differing interpretation of whether a registration fee could be considered in the cost of attendance calculation.

- a case where a large award "error" was due to the auditor's miscopying a student's Student Aid Index.

- a case where the auditor maintained that it was against regulations to have two tuition rates even though one student had signed the enrollment contract before a tuition increase was announced.

- a case where the auditor was not conversant with transfer student regulations and thus mistakenly felt an error had been made.

- a case in which the GAO disputed a school's cost of attendance since the GAO was unaware that schools that have redefined their academic year must adjust their Pell Grant cost allowance.

- several cases in which a single error was repeated in several places of the report, thereby giving the impression that the frequency of errors was greater than it is.

While time does not permit us in this testimony to examine each of the assertions and similarly to show the fallaciousness of the citations, we have provided a detailed review of a sampling of the GAO files. This analysis was conducted by an independent consultant with fifteen years experience in the field. This is not to demean the quality of the work performed by GAO. It is only to recognize that these programs are extremely complex, and require considerable time to learn the nuances. For this reason, we were disappointed that exit interviews with the institutions did not share the findings so that clarifications could be afforded.

IV. MISREPRESENTATION

PROPRIETARY SCHOOLS FOLLOW STANDARD RECRUITMENT AND PLACEMENT PRACTICES

Unfortunately, there is a good deal of skepticism about the motives of profit-making institutions. We fail to understand how corporate structure makes practices which are perfectly legitimate in the non-profit sector suspect among schools who are instead tax-paying corporations. For example, the Matrix of Pell Grant Programmatic Problems designed by the GAO specifies as a questionnable recruiting practice "the use of scholarships or tuition waivers to attract students." The use of the telephone was similarly considered as questionnable even though many universities are successfully using similar techniques.

The GAO was also very concerned about misrepresentation with respect to job placement rates. We were most disturbed to see the very subjective measures by which they decided whether misrepresentation occurred in this area. For example, although the Veteran's Administration system subtracts from both the placements and the total graduates those who are unavailable for placement, the GAO apparently felt that this was inappropriate and cited schools for using this system which is approved by another government agency. In essence, the GAO implies that it would prefer a placement rate which included all admitted students, whether they graduated or not.

Accrediting commissions are as concerned as the government over misrepresentation on the part of its members. Each of the accrediting commissions has strict standards with respect to questionable recruiting practices.

Catalogs and promotional material must be submitted to the accrediting body both during initial accreditation and re-accreditation. If an institution is found to be misrepresenting, this is sufficient grounds for disaccreditation. The content of school catalogs is measured against the reality of the institution during the site visit. Monitoring of advertisements is carried out on an on-going basis with information routinely being supplied by former students, other schools, employees and the general public. Further, competition in the marketplace forces schools to carefully monitor the recruiting practices of other schools seeking the same students. When an investigation of any such allegation is made, the institution is either cleared or brought before the accrediting body.

Our objection, therefore, is based upon the value judgments with which the auditors approached the topic and their indictment of the school in each case rather than undertaking an investigation of the allegations. For example, when a placement director stated that jobs were hard to get in the area, it was automatically considered that the school's statement that the area ranked high among states as an apparel producer was "misleading" advertising. The workpapers show no attempt to review the placement records which would have shown that a large percentage did, in fact, get jobs in the area.

V. MONITORING

PROPRIETARY SCHOOLS HAVE MORE CHECKS AND BALANCES AND ARE MONITORED MORE FREQUENTLY THAN THEIR PUBLIC SCHOOL COUNTERPARTS

The GAO's final concern was with respect to the monitoring of institutions. While schools can always benefit from increased feedback, we feel we must point out that private career schools generally have more checks and balances on their overall operation than do other institutions. For example, most of the schools receive routine visits from their state licensing boards, from the Veteran's Administration, and from the accrediting commission.

Having become familiar with the administration of Title IV, I am continually struck by the complexity and large body of policy decisions, memos and regulations. I have come to the opinion that there will always be a large opportunity for human error that cannot be regulated, legislated or monitored away. Further, I feel it is unrealistic to expect that biennial audits will become accurate measure of compliance. It is impractical to assume that, based upon a brief manual, and contact with these programs for one week every two years, an auditor will be more knowledgeable in the programs than a financial aid administrator who regularly attends training and who on a daily basis reads new policy decisions and otherwise keeps abreast of regulatory changes. While the audits are adequate for fiscal integrity, to expect them to detect the program error on which GAO auditors themselves were often in confusion, is too large a task. Nevertheless, we would support efforts on the part of the AICPA to upgrade the knowledge of persons conducting these reviews, as ultimately we feel schools would benefit from more complete audits.

The report suggests that accrediting agencies should provide assurances that Federal requirements are adhered to. While the role of the accrediting agency and the Federal government are complementary, they should not be confused as being identical. Accrediting agencies are independent bodies which are recognized by the Department of Education, and whose standards and criteria for accrediting must be in harmony with Federal regulations governing such recognition. While many of the same items that accrediting agencies look at are identical to those examined by the Department, neither the role nor the responsibility of each entity should be confused or interchanged.

ACCREDITATION PROVIDES ADEQUATE ASSURANCE OF ACADEMIC QUALITY

The Department of Education (ED) requires that all schools participating in Title IV programs be independently audited by a public accounting firm at least once every two years, that all such schools be licensed by the state in which they operate, and that they be approved by an ED-recognized accrediting body. The accrediting body is reviewed on a regular basis by the Department of Education and, if it meets the ED standards, it is placed on the Secretary's recognized list of accrediting bodies.

Voluntary accreditation of institutions of postsecondary education in the United States is the centerpiece of the concept of self-regulation. Voluntary accreditation promotes quality without inhibiting innovation; the high proportion of Americans benefitting from higher education testifies to the availability of high quality education in the United States. It is a concept that we as professionals in a given field, in this instance education, can and will conduct ourselves in our enterprise in a manner that beneficially serves the common good, and will do so without extensive governmental control.

Since 1956, the Accrediting Commission of the Association of Independent Colleges and Schools continuously has been listed by the appropriate officials of the Federal government as an accrediting body upon which to rely in determining "the quality of training being offered" at accredited institutions. In meeting this public responsibility and in order to maintain its governmental recognition of appropriateness, the Accrediting Commission has developed and periodically revises a body of general policies, procedures, and guidelines for institutions to follow. These "criteria" have been developed and revised over time with the help and advice of the institutions. Collectively, they represent a statement by the institutions themselves of what they are doing or should be doing in order to be effective. The Accrediting Commission of AICS (one of 13 institutional accrediting bodies recognized by the Council on Postsecondary Accreditation (COPA)), thereby becomes a facilitator of institutional effectiveness through the administration of the criteria.

The responsibility of the AICS Accrediting Commission with regard to Federal programs involves two main objectives -- public trust of the Federal dollar and consumer protection for the student. In addition to reviewing the quality of academic programs, the accrediting body regularly monitors admissions, recruitment, standards of satisfactory progress, refund policies, and counseling and guidance activities. The GAO report being discussed today notes that there are limits on the appropriateness and capability of accrediting bodies to monitor, in detail, the use of federal student assistance. In essence, the AICS Accrediting Commission, like other accrediting bodies, expects all institutions involved in student aid programs to be knowledgeable of and in compliance with appropriate laws and regulations. Auditing the detailed transactions of student aid administration is a function which is appropriately left to independent CPA's, the Department of Education, and other government review officials.

It should also be noted that accreditation provides assurances for a reasonable amount of time between periodic evaluations and is not able to continuously monitor all school activities, especially compliance with Federal laws and regulations. However, procedures are available to the accrediting body to review annual statements submitted by the institution, monitor problems on an exception basis, and investigate and resolve complaints by students or third parties.

ALTHOUGH ED DOES HAVE LIMITED RESOURCES FOR PROGRAM REVIEWS, PROPRIETARY INSTITUTIONS PARTICIPATING IN THE STUDENT AID PROGRAMS ARE REVIEWED AT A HIGHER RATE THAN NON-PROFIT INSTITUTIONS

It is difficult for us to comment on the availability of ED staff to monitor adequately administration of student funds. However, it is important to note that, as cited in the GAO report, ED program review activity was at a higher level for proprietary schools than for all other schools. Specifically, 16 percent of all proprietary schools participating in Title IV programs were reviewed during 1981 and 1982. This compares with a 6.5 percent review of other types of institutions.

THE ACCREDITING BODIES HAVE RECENTLY MADE CRITERIA CHANGES AFFECTING ISSUES DISCUSSED IN THE GAO REPORT

In an effort to carry out effectively its role to protect the student and assure the proper use of public funds, the AICS Accrediting Commission, as well as the accrediting bodies of NATTS and NACAS, have taken many steps recently. The following is a summary of actions taken in the past year by the AICS Accrediting Commission which were the result of work by an "Issues and Concerns" committee established by AICS in August 1983.

- The Commission has modified the criteria by which the institution is judged, thus affecting changes in (a) recruiting; (b) admissions, particularly regarding ability-to-benefit students; (c) standards of academic progress for students receiving Federal student financial assistance; (d) outcomes of the educational experience of the student; (e) management of the institution; and (f) educational quality.

- The Commission has also made changes in the evaluation process, including (a) longer evaluation visits; (b) better organization of the evaluation team; (c) more detailed instructions to the team regarding what is expected of them; (d) better trained evaluators; (e) more attention to evaluation of the educational program; and (f) branches being treated the same as free-standing institutions.

We believe that the accrediting bodies which accredit private career schools and colleges have stringent accrediting standards regarding admission, tuition refund policy, attendance, satisfactory progress, recruitment, and general consumer protection. We take our role seriously and expect our member institutions to do the same.

ACCREDITING ASSOCIATIONS AND THE DEPARTMENT OF EDUCATION DO DIFFER OVER THEIR ROLES AND RESPONSBILITIES ON SOME ISSUES

The GAO report contends that there is a disagreement between the Department of Education and the accrediting associations over the extent of monitoring which should be conducted by accrediting bodies. The Department requires that associations demonstrate the "capacity and willingness to foster ethical practices among the institutions it accredits, including equitable student refunds and non-discriminatory practices in admission and employment." AICS concurs that this is a proper role of the accrediting body and that, in spite of what is said in the report, monitoring is conducted continuously of all school activities to the extent possible. On the other hand, there is no way that an accrediting body, the Department of Education or for that matter any other Federal agency, can review the day-to-day practices of member institutions. Nor can accrediting bodies fully monitor compliance with Federal regulations.

I would like to highlight some issues about which the Department of Education and the accrediting body are in disagreement. The Department currently has a moratorium on the approving for eligibility the conversion of academic time periods at institutions from clock to credit hour. We question the regulatory and legal bases for this. Also, and more importantly, is the current practice of the Department of Education to require its approval of all new or revised programs at already accredited institutions. The Department also has specifically detailed a method for calculating clock hours which limits the flexibility of the accredited institutions to meet the needs of their specific students. Notwithstanding these disagreements, we are optimistic that the proper role of the federal government and the accrediting bodies can be resolved. On the side of cooperation, AICS now has in place a procedure by which it exchanges information with the Department's Division of Certification and Program Review about any pending actions against AICS institutions.

In conclusion, there are, and should be, limitations on the role and responsibilities of both the federal government and the accrediting bodies. The accrediting bodies should not be held accountable for all the details of an institution's administration of student financial aid or other Federal and state aid. Likewise, the Federal government should not intrude into issues involving the evaluation of academic quality and the establishment of academic programs. It is very important that both parties clearly delineate their roles. It is for this reason that AICS has sent to you, Chairman Ford and Mr. Coleman, a legislative recommendation which would clearly state that:

> "In determining eligibility for any institution under this title, the Secretary should not require subsequent approval of additional programs of study, measurements of academic credit, judgment of academic quality, or any other consideration or action taken under a recognized accrediting body's scope of recognition."

This new section would clarify the role of accrediting bodies recognized by the Secretary to be reliable authority as to the quality of education or training offered. It is our hope, and expectation, that state licensure, voluntary peer evaluation through accreditation, and Federal monitoring of funds administration will lead to a better product for the ultimate consumer--the student.

* * * * * * * * * *

In summary, we feel that the use of the GAO report for other policy determinations is questionnable. The small sample used as the basis for the report appears questionnable in view of the heterogeneity of the proprietary sector, and makes general estimates and conclusions somewhat askew. We have attached to Ms. Diamond's report an analysis of the statistical weaknesses of the GAO report which was provided by Applied Systems Institute. Further, the examination of this sector without the benefit of comparison to other sectors on such dimensions as completion rate and satisfactory progress weakens the validity of the study and merely stigmatizes our schools for problems which are facing all of higher education. Finally, the use of auditors who are not fully knowledgeable in the Pell Grant regulations and who imposed their own value judgments when determining misrepresentation appears to have seriously biased the report.

We hope the Committee will take the necessary time to read our attached response to the GAO report so as to put the findings contained therein in perspective.

Table 149.—Enrollm~nt, mean charges, mean number of hours r~quired to complete program, and percent completions i noncollegiate noncorrespondence postsec ary schools offering occupational programs, by control of school, for selected program offerings: United States,[1] 1979-80

Selected program offerings	Enrollment[2]			Mean charges			Mean number of hours to complete program			Percent completions		
	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private
1	2	3	4	5	6	7	8	9	10	11	12	13
All programs[3]	**1,400,104**	**455,960**	**944,145**	**$1,281**	**$453**	**$1,706**	**1,187**	**1,447**	**1,055**	**53.7**	**37.6**	**61.4**
Agri-business:												
Agri production	545	310	235	847	815	360	1,895	1,895	- - -	61.5	32.2	100.0
Agri-mechanics	1,836	1,836	- - -	765	765	- - -	2,514	2,514	- - -	40.1	40.1	- - -
Ornamental horticulture	4,110	1,486	2,624	781	698	842	558	1,073	263	73.6	42.1	81.4
Veterinarian assistant	1,202	132	1,070	2,089	820	2,181	894	2,400	837	71.7	44.7	75.0
Business/office:												
Accounting	36,559	15,775	20,783	1,815	703	2,066	956	1,320	880	45.6	36.9	52.2
Administration/management	18,888	5,215	13,673	2,477	547	2,854	1,241	1,581	1,169	43.6	31.2	48.3
Secretary	118,292	24,049	94,244	1,987	543	2,225	1,097	1,050	1,104	43.8	32.7	46.7
Health:												
Medical assistant (office)	21,339	1,923	19,416	1,925	473	2,112	839	1,166	775	64.2	48.2	65.8
Nurse (practical)	34,309	28,461	5,848	713	493	1,541	1,573	1,503	1,848	54.2	52.5	62.8
Home economics:												
Food management	1,865	1,865	- - -	137	137	- - -	846	846	- - -	39.6	35.6	- - -
Child care	2,918	2,918	- - -	289	289	- - -	775	775	- - -	48.7	48.7	- - -
Marketing/distribution:												
Apparel	13,425	1,792	11,633	2,733	860	3,304	1,033	1,571	887	52.7	26.2	56.4
Real estate	146,492	704	145,788	168	84	170	57	204	54	89.2	94.9	89.1
Recreation/tourism	15,804	548	15,256	1,124	418	1,177	580	1,770	538	82.2	39.8	83.7
Retail trade	2,953	1,490	1,463	2,260	424	3,540	1,098	1,017	1,162	48.1	53.6	42.4
Technical:												
Aeronautical technician	2,830	435	2,395	3,080	830	5,387	2,195	1,850	2,520	35.6	55.4	32.0
Electronic technician	23,543	4,906	18,637	2,929	610	4,187	1,926	2,194	1,772	35.5	16.9	40.4
Broadcast technician	10,958	1,034	9,924	1,733	636	1,893	773	2,055	579	62.7	13.0	67.8
Trades/industry:												
Auto mechanic	39,313	25,450	13,863	825	420	2,531	1,585	1,711	963	36.0	30.3	46.5
Cosmetology	134,526	7,936	126,590	1,220	357	1,268	1,360	1,349	1,361	51.6	37.3	52.5
Truck driver	28,831	2,504	26,326	774	154	1,235	321	526	186	64.6	53.6	65.6
Welding	39,589	20,470	19,119	1,150	325	2,230	926	1,164	605	47.1	33.0	62.3

[1] Data include the 50 States, the District of Columbia, and Puerto Rico.

[2] Includes proprietary (operated for profit) schools, independent (nonprofit) schools, and schools operated by religious groups.

[3] Includes programs not shown separately below.

SOURCE: U.S. Department of Education, National Center for Education Statistics, unpublished sample data from the 1980 survey of Noncollegiate Postsecondary Schools.

ASSOCIATION OF INDEPENDENT COLLEGES & SCHOOLS

The Association of Independent Colleges & Schools (AICS) was founded in 1912 and now has a membership of 636 diverse business schools and colleges and another 337 branch campuses. Its institutions range from business or specialized schools offering training of up to one year in length to junior and senior colleges offering recognized associate and baccalaureate degrees.

Approximately 595,000 students are enrolled in these institutions, representing a broad range of income and racial backgrounds. Approximately 90% of the AICS-accredited institutions are taxpaying business corporations; all of the institutions are non-public. In common with all non-public institutions, they are either entirely or primarily tuition-dependent for operating revenues.

AICS member institutions are accredited by the Accrediting Commission of the Association of Independent Colleges and Schools. Since 1953, the Accrediting Commission of AICS (formerly known as the Accrediting Commission for Business Schools) has engaged in the evaluation and accreditation of independent colleges and schools. In 1956, the Accrediting Commission was officially designated by the U.S. Commissioner of Education as a nationally recognized accrediting agency. Such recognition has been renewed since that time and now extends through 1985.

REVIEW OF GAO FINDINGS IN REPORT ENTITLED

"MANY PROPRIETARY SCHOOLS DO NOT COMPLY WITH DEPARTMENT OF EDUCATION'S PELL GRANT PROGRAM REQUIREMENTS"

SUMMARY OF FINDINGS

- The GAO considered an institution to be out-of-compliance on the basis of a single error; therefore, summary statistics of institutional error might result from an infrequent human error rather than from widespread systemic error or lack of program knowledge.
- The GAO's workpapers did not always support the number of errors cited in the report.
- The GAO made technical errors which substantially overstated dollar liability.
- The GAO often repeated the same error in two sections of the report, thereby giving an unrepresentative impression of the true error rate.
- The GAO sometimes confused normal financial aid practice with regulations, thereby applying rules which do not exist.
- The labeling of errors was frequently inaccurate, giving the impression of more serious problems than, in fact, existed.
- Statistics were sometimes misleading, particularly when only one or two "outliers" significantly affected the averages derived.

- Drop rates were vastly overstated due to the failure of the GAO to use the definition of withdrawal rate found in Department of Education regulations.

- The GAO introduced its own value judgments and biases in determining whether misrepresentation had occurred, apparently without seeking the institution's explanation and perspective.

- The GAO found that job placement rates were overstated since it invoked a calculation formula that differs from that approved by the Veteran's Administration and used by most higher education institutions.

- The GAO confused the Department of Education's regulations and Congress' intent on ability-to-benefit by citing any institution which used a measure of ability-to-benefit other than a verifiable test.

PRELIMINARY ANALYSIS OF GAO AUDIT FILES

On August 20, 1984, the General Accounting Office (GAO) issued a report entitled "Many Proprietary Schools Do Not Comply With Department of Educations's Pell Grant Program Requirements." On the basis of a review of thirty-five schools, practices and compliance at 1,165 proprietary schools was inferred.

Because of the serious nature of the problems alleged in the report, I was asked to review the raw data of student and institutional files upon which the student was based. To do so, the Freedom of Information Act was invoked and I travelled to Detroit to examine certain of the audit workpapers. As a preface to my report, I must state that I had only two days to review the files, and in many cases had only a portion of a student file available. Because of time constraints, I concentrated on examining the examples cited in the report rather than attempting to work back to the summary statistics of error rate. However, I feel it is reasonable to assume that a similar reduction in error rate could be extrapolated to the entire study, thereby reducing the total error/cost figures to the government to a much lower figure. A further limitation to my review was the inability to obtain the audit plan used to guide the audit. It was the opinion of the GAO that this contained privileged information since it contained the deliberative process used in formulating the study. I was also refused copies of the Regional Audit Summaries, although I was permitted to view these briefly.

Based on this analysis, I must dispute many of the items considered to be in error by the GAO. In fact, it is my opinion that the number and magnitude of the mistakes of analysis and judgment by the GAO makes it truly dangerous to use their report or any of its findings for policy determination. It is disturbing to think that very serious policy changes, such as a proposal to limit funds to high-school graduates or G.E.D. recipients, would be made based upon a report which has so many misstatements.

Listed below are my findings and some new questions raised about the report.

1. **Ineligible Students and Programs (pages 10 and 11)**

Review of Workpapers

Three examples of students receiving funds for ineligible programs were cited. I was able to examine two of these. The first example spoke of an institution "that admitted Pell Grant recipients into four certificate courses which ranged from six to twelve weeks, far short of the six-month requirement." My examination of these student folders showed that in both cases the student enrolled in a fully eligible nine-month program and received the Pell disbursement based upon attendance in these programs. After having qualified for Pell funds, the student then dropped for two months in one case and for three months in the other case, before changing career plans and entering the shorter ineligible program. The auditors' conclusion that the school awarded funds to students enrolling into these courses appears unfounded.

In the second example, it was stated that a school enrolled eighteen students in the sample in a 700 hour G.E.D. training and office assistance program. It is further noted that these students received $15,821 in Pell and $19,247 in other Federal funds for tuition.

The auditors apparently did not realize that only a small portion of the training was G.E.D.-related. The catalog clearly laid out the fact that only 100 of the hours were G.E.D.-related. This means this program is fully eligible, although the students in it should be compensated for only 600 hours, not 700 hours. In any case, the auditors overstated the liability by 700 per cent.

In the preamble to the section on ineligible schools, it is stated that 133 schools admitted students who already had a Baccalaurreate degree. Presumably, the citation is concerned not with the admission of such students, but rather with their receipt of grant aid. The extrapolation to 133 schools would imply four out of the universe of thirty-five had made errors along this dimension. The auditors' workpapers, however, indicate only three schools with problems of a Bachelor's degree.

At one of these schools, a single student received an SEOG despite having a Bachelor's degree. While recognizing the program error, I question the inclusion of non-Pell findings in a report which is intended to assess the degree of errors only in the Pell Grant program. The second instance referenced in the workpapers was a school for which the review of the workpapers did not reveal any cases in which a student had received grant aid despite having a Bachelor's degree. The GAO personnel were unable to explain this discrepancy. The final case was the institution in which the two errors cited on page 10 were found. These represent true program errors.

Implications

In this first area, we can already recognize three basic weaknesses of the report.

First is the failure to differentiate between human error at an institution versus lack of institutional knowledge of program requirements leading to wide-spread errors. For example, in the cases of the two actual errors with respect to the Bachelor's degrees, the students in question had each reported on their financial aid applications that they had no prior postsecondary training. In their education files, evidence of a Bachelor's degree was available. Although I recognize that the institution is liable for any information contained in other institutional files, the implication of lack of familiarity with eligibility requirements is of a different level of severity than failure to spot all instances of student reporting inconsistencies.

A second deficiency is that the GAO classifies an institution as being out of compliance when even one student in the sample received funds in error. An "all-or-nothing" measure of perfect compliance is misleading. A more informative statistic would be the percent of students nationwide who inappropriately received funds. For example, if all schools in the nation each made one overaward of $1 to only one student at their institution, the GAO's summary statistic that 100 per cent of schools were not in compliance would be much less informative and accurate than a statistic which instead reported frequency of reporting error and dollars misspent.

The review of this area also illustrates a third consistent problem with their report: the misstatement of the true error rate. For example, with respect to the Bachelor's degree problem, only one case can be substantiated in the Pell program, yet four were cited in the report. One wonders how many other cases of summary statistics could not be supported by the workpapers.

2. Administrative Errors in Award Calculation

Review of Workpapers

The first narrative statement I examined was that "some schools erred in determining student's enrollment status, and overawards occurred because more hours or classes were included in the calculation than the number for which the student was enrolled." I found that, despite the reference to plural institutions, only a single school erred along this dimension. Specifically, the cost of attendance was calculated incorrectly on two occasions causing an overaward of $21 in one case and $75 in another case. It is misleading to consider that this was a mistake in enrollment status, since the students were in all cases properly treated as full-time students. Errors in determining three-quarter and one-half time would have implied a liability of at least 25 percent of the award. The error in calculation of the cost of attendance was far less significant, since it involved only a difference in the total number of credits for which the student was charged.

The next claim I examined (on page 24, bottom) was that, at one school, three students were overawarded an average of $600 because of varying tuition amounts for the same program. These errors were as follows:

Student Name	Overaward
N.M.	$1262
D.S.	$ 524
M.N.	$ 7

I found that the major error here was a single student (N.M.) who had been improperly paid for an ineligible program. The error was unrelated to variable tuition rates. The student in question was already covered on page 11 under "Other Ineligible Students in Programs." It does not appear to be appropriately re-mentioned under a section entitled "Calculation."

In the case of the second student, D.S., the GAO calculated that the student receive $524 more than was allowable. This is based upon their use of a $900 tuition figure for the student, rather than the normal $2025 tuition. The student was a CETA student and CETA had agreed to pay $1125 for the student. Although the school should have properly used an enrollment contract for the student of $2025 and merely indicated the CETA grant was "other aid," an argument could be made that the award does not constitute a program error because the net effect was the same. The student was clearly enrolled in a course which had a tuition for a full-time student of $2025 and this should have been the correct figure to utilize, just as would have been the case had the student received an outside scholarship.

If we extract the $1262 error (as not being pertinent) and the $524 error (as being incorrect), we are left with one $7 error. Unfortunately, time did not permit me to examine the data for this minor error to see if the auditors were in error on this finding as well. However, it would appear that the auditors were in error here as well, since the Scheduled Award they derived is not even a figure found on the Payment Schedule for the 1980-81 year. The school's calculated figure of $1712 is identical to that it determined for other students with an SAI of zero.

With respect to the underawards mentioned in the same paragraph, I was only able to establish six underawards, with an average of $306. However, further analysis of this figure is necessary. Four of the six (67 per cent) were based upon the failure of the school to include the application (registration) fee in the cost of attendance. Whether an application fee was an allowable cost of attendance was being debated at the policy level at the time, and the distinction, if any, between a registration fee and application fee at a private career school was unclear. In fact, it was not until the 1983-84 year that the Department definitively came out with a statement saying that such fees could be included as an allowable cost. In a Question and Answer issued on June 27, 1983, the Department stated that "Therefore, we are changing our position with respect to the inclusion of application fees in a student's cost of attendance. An application fee (of the school that the student is attending) will be considered to be part of the cost of attendance for the academic year for which it is paid."

Therefore, it seems understandable and acceptable that the school decided to take the conservative route rather than face at a later date considerable liability as well as cumbersome recalculation procedures had the Department instead decided not to allow this fee. This error resulted in the four students' scheduled awards being $38 less than would have been the case.

The remaining two underawards represent the more significant in dollar figures, however, since one was cited as $1,000 and another as $688. My review found that both were miscalculated by the auditors. S.M. is shown with a $1,000 underaward. This is because the auditors' workpapers show an SAI of 109. In actuality, according to the official documentation on file at the Department of Education and the school, the student's SAI is 1109, thereby validating the school's calculations.

Another student, T.G., had transferred from another institution, and so represents a special calculation problem. The auditor felt that the cost of attendance should have been calculated based upon the normal tuition and fees charged for the full 1500 hour course. It certainly would have been supportable to instead use the lower tuition rate used for transfer students. This would have yielded a Scheduled Award of $1,438, thereby reducing the amount of the underaward to 45 per cent of that stated.

The GAO auditor was also of the opinion that two disbursements of the student's award would be required for the 450 hours to be completed. Since the school used a definition of academic year of 1500 hours, the first payment was properly for the entire expected disbursement. The Department of Education has clearly explicated this position in several of its Questions and Answers and policy statements. For example, in P-1.1, GEN-84-14, it is stated that "If a program is usually 1500 hours in length, but a school accepts 500 hours earned at a previous institution by a transfer student, that student can still receive a disbursement for half the academic year. Assuming the academic year is 1500 hours, the first disbursement would be for 750 hours and the second disbursement would be for the remaining 250 hours provided the student does not receive more than one Scheduled Award for the academic year."

This case again illustrates the repetition of errors, so as to magnify the true error rate detected. The separate discussion of the calculation of the scheduled award versus the disbursement amount makes it appear that more errors had occurred than were, in fact, the case. For example, the same school which is cited on page 24 for incorrect calculations of scheduled award is again cited on page 25 for incorrect calculations of expected disbursements. Quite obviously, if the scheduled award is incorrect, the expected disbursement will likewise be in error.

The second example cited on page 25 says that the school had no documentation for the cost of attendance calculation for a sample of twenty-two students. I questionned the auditors as to what they felt constituted adequate cost of attendance documentation, since the school reported having contracts available on each of these students. The auditors stated that they found it to be common practice to have in each student's file the calculation of the Pell Grant cost of attendance, and, therefore, considered the omission of this individual worksheet to be an error. Although worksheets may be common practice, it is certainly not a regulatory requirement as long as the rationale for the cost of attendance can be documented.

The auditor's other concern with respect to this school was that students in the same curriculum were charged different tuition and fee rates even though they had the same start date. It is a common practice when a tuition rate increase goes into affect to make it applicable to all students signing a contract subsequent to that date. A student who had signed a contract prior to the increase may begin in the same class as a student who signed a contract at a later date. There are, in fact, several traditional colleges which now similarly allow students to "lock-in" a certain tuition rate if they apply and commit to their education early.

At another institution which the GAO listed as having cost of attendance and underaward problems, I examined the cost of attendance calculations and found that the GAO apparently did not recognize that if the school redefines its academic year, the tuition and fees must be prorated to reflect only the costs of the tuition and fees for the newly-defined academic year. Therefore, when the school redefined its academic year from 1600 hours to 900 hours, the cost of attendance declined since only 900 hours of tuition could be included in the allowable costs. This meant that the cost figures utilized by the school were, in fact, correct and the overaward and underawards cited were erroneous.

Implications

Many of the same deficiencies in the structure and reporting of findings which I noted with respect to ineligible programs are repeated in the section on Award Miscalculations.

Magnification of the error rate without substantiation in the workpapers is exemplified when the auditors reported an incorrect SAI for a student and from that inferred a large underaward. Repetition of the same error (e.g., award calculation versus disbursement errors) contributed to an inaccurate picture of massive errors.

In addition, the language in some of the findings was misleading (e.g., enrollment status errors when cost of attendance errors would have been a more accurate description) or mislabeled (e.g., award calculation errors when enrollment in an ineligible program was identified and had been previously reported upon in an earlier finding.)

Several cases were also noted in which regulatory and policy issuances were misapplied or incorrectly invoked. Three examples are the individual documentation of student costs, the treatment of the application fee, and the calculation of the cost of attendance when a school has redefined its academic year.

Finally, this area illustrates an example of what I consider to be the use of misleading statistics. Even if the four $38 mistakes due to the omission of the application fee are considered errors, I question the auditors citing an average of a $277 underaward when four of the errors were clustered at the low figure of $38 per student with two outliers at $688 and $1,000. A list of the school errors could have been displayed as easily, and would have avoided misimpressions.

3. Refunds

Review of Workpapers

Several errors were also noted with respect to schools' implementation of their accrediting commission's refund policies. On page 27 it is stated that instead of using accrediting commission standards, one school implemented the refund policies required by the four states which license schools in surrounding areas where they recruited students. The GAO report goes on to say that the school "collected" substantially more under the state policy from students who dropped out under the state policy than under the accrediting agency's policy. In a review of the case, as well as an interview with the institution, it appears that whereas the school printed the enrollment contract showing the state policy, in practice it calculated two different refunds for the student

-- one under the state policy and one under the national accrediting commission policy -- and gave the student the most favorable of the two policies. Therefore, I feel that using words such as "implemented" and "collected" are misleading in that the school never, in fact, took more than what was allowed under either the state or NATTS' policy.

I was able to review six other schools which were alleged to have refund policies in violation of the accrediting commission standards. Four of the institutions which I examined appear to be in compliance with the accrediting commission standards and the GAO was unable to explain to me their reason for citing the schools for deviation from the accrediting commission policy. In one case, the school's policy could have led to its retaining $89 more than what the NATTS' policy would allow if enrolled in a merchandising program and $16 more if enrolled in the sewing and tailoring program. This was a result of the school using a percentage calculation derived when the total retained was below the $300 maximum figure provided by the NATTS' policy for the first week, but which after a recent tuition increase had been raised to above the $300 figure. However, since the auditors also noted that all drops had occurred after the third week of attendance, no errors in refunds had actually occurred.

The remaining school appeared to have made a typographical error in their policy, showing a 55 percent retention of tuition, rather than the permissible 45 percent. However, it must be noted that the student enrollment contract was correct, and it is therefore likely that refunds were correctly calculated.

Implications

Again, the true error rate appears to have been vastly overstated in the report. Of the seven schools I reviewed, all of which had been cited for this deficiency, I found 57 per cent to be fully in compliance, another 29 percent were applying the policy correctly although their written statements should have been amended, and 14 percent of those cited as out-of-compliance in fact deviated from the accrediting commission policy. Of the two schools that were in error, the auditors themselves noted that at one school no students had withdrawn during the period which would have led to a miscalculated refund.

4. Institutional Drop-Out Rates

Review of Workpapers

I questionned the auditors several times about their calculation of institutional drop-out rates. I was informed that when the audit spoke of completion rate, it referred to the outcomes of the sampled students. On the other hand, when it spoke of total school drop-out rate, the rate referred to was that defined by the the Department of Education's regulations. My sampling of institutional files did not confirm that this was, in fact, the method used by the GAO. Instead, it appears that the formula used was the sum of the withdrawals and dismissals during the entire award year divided by the total enrollment. Such a method overstates the withdrawal rate at the institution by at least 50% since it looks at a drop-outs over a full twelve-months, which is 50% longer than the period mandated by the eight-month academic year rules of the Department of Education.

In order to demonstrate this difference, I examined the school which was listed with the second highest drop-out rate for schools "admitting unqualified students." (Unfortunately, the school with the highest listed drop-out rate had insufficient information contained in the audit file to permit calculation of this figure according to Department of Education guidelines.) For my sample school, I used the Department of Education's method of calculation using the June 30, 1981 date and counting back eight months to November 1. I then examined what happened to the students who were in school as of November 1. Doing so resulted in a drop-out rate of 35.8 percent. Thus, the 57 percent calculated by the auditors was a 59 percent overstatement. This confirms that the total drop-out rate of the other schools that "admitted unqualified students" was also overstated by 59 percent. In that case, the correct average may be approximately 24.14 percent.

Implications

The inability of the GAO to specify its measurement procedures and its confusion over the methods used by the Department of Education make it impossible to compare the findings with the Department's benchmark figures. However, the statement that "466 schools had schoolwide drop-out rates that exceeded the Department of Education's 33-percent benchmark" is false, since the GAO never measured these rates using Department of Education methodology. In the one school at which we calculated the correct figures according to the procedures purportedly used, we found the GAO had overstated the drop-out rate by 59 percent. It seems likely that the average of the correctly calculated rates was well within the tolerance level established by the Department of Education.

5. **Misrepresentation**

Review of Workpapers

While the Department of Education regulations prohibit schools from misrepresenting, the GAO was apparently using their own judgments -- which oftentimes were counter to community standards -- to determine when misrepresentation had occurred. For example, it is stated that job placement rates were overstated. An example is provided of a school which claimed a job placement rate of 90 percent, 15 percent of which represented students who transferred to four-year colleges. The fact that the placement rates included students transferring to four-year colleges was and continues to be proudly disclosed on the school's bulletin board which documents these placement rates. In another example, the auditors cited a school for overstated job placement statistics solely because the institution excluded from its calculations students who were unavailable for placement. Although when I questionned the auditor he remained firm about the impropriety of this practice, it must be noted that the procedure conforms to that policy used by the Veteran's Administration for many years and in the education community is considered appropriate practice.

The third of the schools for which I reviewed the workpapers had been told by the auditors during the exit interview that they had confirmed the correctness of employment data with all students/employers. This school has for the past several years had their placement rates audited by Peat, Marwick & Mitchell, since they found that the 99 percent they were quoting was not generally believed without this "seal" of veracity.

Another case of misrepresentation of employment was alleged in the case of one school which according to the audit "implied that good job opportunities existed in the local area by stating in its catalog that the area ranked high amoung states as an apparel producer." The audit goes on to say that "the school placement director told us that design graduates may have to relocate, settle for less than a "prime" job, or become self-employed if they wish to get a training-related job because few employment opportunities existed in the local area." Based upon the placement director's statement, this practice was considered "misleading advertising." When the actual statistics of graduate placement are reviewed, students desiring a job in the local area can and do get jobs in the area. One is left feeling that the students and staff were always considered by the GAO auditor to provide accurate information if it was negative, without researching either the accuracy of the statements made, or the motives of the persons interviewed.

Further, the value judgments of the auditors oftentimes entered into the determination of whether a citation should be made. For example, one of the negative findings cited for three schools was "telephone blitzing." The very title implies that the use of the telephone to recruit students is somehow unethical or immoral. Schools which use television, radio or mail can likewise be considered to be "blitzing" in that they are using vigorous efforts to inform students of the availability of education at their institutions. Most schools which use tele-marketing (the term used for telephone advertising) require their employees to read from a fixed script which merely asks the student if they have ever considered a vocational education. If the student says that he/she would be interested in receiving more information, the common practice is to ask that the student, and their mother and father, come to the school for further information. It should be noted that student recruitment through the use of the telephone has gained considerable acceptance at public institutions as well. Both Kent State and Ohio State have launched very effective campaigns in this area. In fact, Northwestern Bell Telephone has written a fine publication entitled "Student Recruitment Through Phone Power" which was developed through studying the program of these two institutions. Consideration of this as a questionnable recruiting practice should be re-examined.

Another heading under "Administrative and Programmatic Problems: Questionnable Recruiting Practices," is the use of commissioned recruiters. We verified from audit records that the mere existence of commissioned recruiters was sufficient to categorize schools under this heading. For example, the workpapers referencing a school under this heading revealed the following:

> "Methods used to recruit students include newspaper advertising, speaking at highschool career days, yellow pages advertising, billboards and spot radio/TV announcements. Advertising material is mailed to phone-in leads.
>
> Phone calls are made to past leads, but no "cold calls" are made."

Similarly, another "Questionnable Recruiting" practice listed on the survey document was the use of scholarships to "attract" students. The implication that scholarships are unethical is surprising, to say the least. Scholarships to encourage deserving students who would otherwise be unable to attend school, or to attract above-average students, have been a tradition at public and private non-profit institutions alike. Yet in the proprietary sector, the auditors have considered them to be a "marketing gimmick." In fact, several of the schools who were cited for the use of scholarship programs ran competitive programs. For example, the first school that was cited for this finding gave five scholarships (one in each major) annually. These scholarships were awarded based upon a jury panel's review of two samples of artistic work submitted to the school. If the student was also eligible for a Pell, he/she received those funds for living costs.

Implications

A review of this area of the audit highlights two problems with the audit. One was the serious and demonstrable misjudgments made in classifying whether actions and procedures are acceptable. In this case, no clear errors of data collection or analysis were involved, only highly subjective judgments. As in the other areas, we again see instances where the GAO has not fully disclosed its criteria for determining a school to be out of compliance.

The other troublesome aspect to the audit involved here is the failure of the auditors to fully research allegations and responses of other parties at the school. Although the scope of this report does not permit an examination of the topic of monitoring and accreditation, a similar situation was seen in that area. For example, one school was cited for failure to maintain files of students who had been rejected. It is not known of which school official this request was made, but these files have always been available and are still extant should the GAO now wish to examine them. The same school was cited for an incomplete accrediting report. I have examined the report in question and could not find the basis for the finding. These examples further call into question the thoroughness of the audit findings.

6. Ability-to-Benefit

Review of Workpapers

Twenty-two schools were listed as failing to measure a student's ability-to-benefit. A sampling of the schools so listed revealed that in all cases the ability-to-benefit was measured, although not always through a verifiable test. As I pointed out in my earlier correspondence, the Department has no requirement of a verifiable test.

Of the three schools that I reviewed in this area, one used an interview and documented the results of the interview on the back of the student inquiry list.

The other two schools did not admit "ability-to-benefit" students, but instead required all students to have a highschool diploma or G.E.D. certificate. These schools were nevertheless included in this group since each had one or two students out of the entire sample who did not have their highschool degree documented to the satisfaction of the GAO. For example, in one case the highschool transcript through January of senior year was onfile, but the final transcript had never been received after the student graduated. To extrapolate the single institutional error into a total institution-wide problem appears to be a misrepresentation on the part of the GAO.

In a separate category of questionnable ability-to-benefit measures, the GAO had concerns even when the school used a verifiable test. For example, it is noted that one school used the SRA Adaptability test as its measure of ability-to-benefit. The auditors apparently felt that the required score of 8 out of 33 was too lenient. It is questionnable as to how this determination was made since the manual accompanying the test suggests 8 as a cut-off for clerical occupations. Perhaps the auditors were unaware that this is a timed test, thereby making a score of 8 quite difficult to achieve. It is also interesting to note that the school's own research has shown that neither having scores near the minimum (an 8 or 9) nor having taken the test more than once is correlated with dropping out.

Further, it is stated that this same school allowed students to retake the admissions exam. What is omitted from the narrative is that only students with an initial score of 6 or 7 were permitted this option, and then only one additional attempt was permitted. The provision for re-taking exams is common to all sectors of postsecondary education, since fear of tests pervades society -- particularly testtakers from low-income backgrounds -- and a "comfort factor" must first be engendered. How many students take the SAT exam a second time to raise their scores, and thus their probability of admission?

The auditors also cited schools for giving tests on the first day of classes, or otherwise after the student had begun school. My review of several school files where this was alleged indicates that several schools used these tests not as entrance exams, but rather as indicators to determine student placement in courses, or to enable them to focus remedial assistance on students who exhibited certain weaknesses. Still other schools indicated that since they recruit students from such a large geographic area, it was impractical for students to come earlier for the necessary testing. In order to be sure that there was adequate supervision of the testing, it was found preferable to test students on the school location on orientation day. Any student who did not pass the admissions test was refunded in full.

Implications

As in the case of "Misrepresentation," it appears that the subjective and questionnable criteria of the auditors are the major reason for this finding. Also as previously, the judgments with respect to meeting those arbitrary criteria were based on less-than-thorough examination of the facts.

7. **Satisfactory Progress**

Although I was not able to review each of the schools cited for failure to measure satisfactory progress, I was able to examine a sample of these schools. On this basis, it appears, again, that the GAO findings were greatly overstated.

For example, the audit states that in one case they could not confirm whether the students in the sample maintained published standards since the school did not maintain monthly grade reports. Instead, the school maintained a cumulative transcript, thereby making it difficult to later determine what a student's average was at any given date. In other words, while the student's average and thus satisfactory progress was clear as of the time the disbursement was made, the fact that it had been "updated" by the addition of more subjects and grades made it difficult to calculate a cumulative gradepoint as of an earlier date.

The audit file clearly states that the Vice President for Academic Affairs had offered to compute the gradepoint average for the sample students at each juncture but "the auditors declined since it is not general school policy and we wanted to insure the integrity of the school files are maintained."

Other instances of the confusion between easy availability and program compliance were likewise made. For example, one school had not published a standard of satisfactory progress for the 1980-81 year, but it was noted in the auditors' workpapers that the policy in force for 1981-82 had been used to review all student files for the earlier year. Despite evidence that satisfactory progress had thus indeed been measured, the school was cited for this omission.

The auditors also took issue with schools that allowed anything less than a 2.0 average. As discussed in my previous report, it is a common practice in academia to allow a lower grade average early in a student's academic career, gradually rising to that required for graduation. Such policies recognize the adjustment problems that students may have to a new learning environment.

The auditors also questionned the attendance policy of institutions. Several schools, particularly credit hour schools, had published a flexible policy of attendance, yet were cited on this basis. For example, one school had as part of its policy that "the training may be interrupted" if the student exceeds certain limits. It appears that if the institution did not interrupt the student, even though its policy did not so require, the auditors considered that the school had not been adequately monitoring satisfactory progress. A similar example was at another credit hour institution where it was stated that since the reason for an absence was not always shown, the school was not enforcing its policy of only allowing a certain number of excused absences. The auditors seemed unaware of the fact that credit hour institutions typically use collegiate attendance policies which do not consider attendance as part of satisfactory progress.

* * * * * * * * * * *

My previous contact with the GAO has been through the frequent use of their publication Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. I have often quoted the wisdom contained therein as a guide to auditors to improve the quality of the work produced. For example, on one page of the guide it is stated that "Findings should be presented in an objective and unbiased manner to include sufficient information on the subject matter to provide readers with proper perspective." Another part of that publication states "One of the most effective ways of insuring that reports are clear, complete and objective is through advance reviews and comments by persons or by officials of the organizations, programs, functions or activities whose operations are discussed in the report. This produces a report which shows not only what was found and what the auditor thinks about it, but also what the responsible persons think about it and what, if anything, they are doing about it. This kind of report is more useful to the recipient."

I feel that the GAO audit process should itself more closely parallel the standards it holds up for other auditing entities. To do so would produce a report which would be useful to the auditee and to the Department of Education and Congress in making policy decisions and correcting any abuses or errors uncovered. To instead merely allow the Department of Education to respond to an audit such as this, when officials there are unaware of the actual situation at each school, serves little purpose. The guts of a full response must be the institution where the alleged errors have occurred, since only the institution has the full facts and explanations of why certain actions occur. While I recognize that the GAO may feel that different standards are reasonable since the results of their review do not lead to dollar liability, it must be remembered by them that the same care and thoughtful presentation is imperative in their presentation since the results can impugn an entire sector as well as potentially affect the ability of future students to receive an education.

Through numerous phone calls with participating institutions, I confirmed that the schools thought that the auditors were well pleased with the school operations. Uniformly, schools were shocked when I relayed to them the citations which had been made. Exit interviews were described as being brief and complimentary. For example, at one school where the auditors later wrote up seven negative findings, the school director was told that the audit team had been called back to Washington because they weren't finding anything of substance and, therefore, they could not justify the time and money expended at the school. At another, in the auditor's workpapers it was stated "There were only a few points noted during our review that we consider worthy of discussion with school officials. Generally we consider that the school is well run and operated." I have already noted that one auditor enrolled his grandson at the school which was reviewed, and another's enthusiasm manifested itself in a hug and a comment of "Thank you for what you are doing for my people." Therefore, we are left wondering why the individual auditors would leave these institutions with a positive view, yet the final report would disclose quite different results.

Likewise, the summary reports from the GAO Regional Offices had an extremely positive tone, thereby discounting the possibility that the schools merely misperceived the messages in the exit interviews. For example, the Philadelphia report says "In our opinion, none of the schools are using questionnable recruiting practices." The report went on to say that they found no misrepresentation on placement and training. All six of the schools in that region were in compliance with satisfactory progress. They also stated that four schools had had program reviews, all of which had been closed satisfactorily. (The only negative noted was minor refund problems.)

Similarly, the Atlanta office report was extremely positive. The problem areas that they noted -- satisfactory progress, refunds and grant award calculation -- were emphasized to be "not sample-wide but only at a few schools." While I did not get the opportunity to review the Los Angeles report, and no Detroit report was prepared, I find it difficult to understand how the individual reports were positive, but the aggregate was negative.

The two days of reviewing GAO files only scratched the surface as to the findings that were alleged. However on this basis, I can state that, of the findings I reviewed in detail, the vast majority had been overstated in terms of significance and dollar liability and many were just plain in error. If you should wish further review of the individual cases, I would be happy to expand the limited sampling that I performed in Detroit. As always, I remain available for further interpretation of the contents of this report.

MAR 5 1985

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March 4, 1985

To: Dr. Lee Kershner, Executive Director
National Association of Trade and Technical Schools

From: Dr. Paula R. Knepper, Senior Statistical Analyst
Applied Systems Institute, Inc.

Date: February 26, 1985

Subject: GAO Report entitled "Many Proprietary Schools Do Not Comply With Department of Education Pell Grant Program Requirements"

The above-mentioned report, presented to the House Subcommittee on Postsecondary Education in August, 1984, found that many schools were not adhering to requirements for administering the Pell Grant program by admitting unqualified students who had a greater tendency to drop out before completing training, and by other poor administrative practices. As a result, a number of recommendations have been and are being made concerning proprietary school participation in the grant program. However, the information provided in the GAO report should be used with caution as there are several study design flaws which affect its reliability and accuracy.

The report is based on a sample of proprietary institutions which have been recognized by the Department of Education (ED) as eligible for participation in Title IV programs and enrolled students participating in the Pell Grant program in 1980-81. In order for an institution to be eligible to receive Title IV funds for its students, it must be licensed in the state in which it operates and be approved by an ED-recognized accrediting agency. In 1980-81, there were 1725 such proprietary institutions which enrolled students participating in the Pell Grant program. Of these, the GAO selected as their universe of interest the 1165 institutions in 15 states which received 66 percent of the Pell Grant funds disbursed in that year. From these 1165 proprietary institutions, a sample of 35 institutions was selected for study as the basis for this report.

The selection of a sample from the population of interest is a very cost-effective way of obtaining information. However, because it is a sample and not a complete enumeration of the population, it must be selected very carefully so that the chance of its not being representative of the population is acceptably low. The appropriate primary sampling unit must be identified, a sampling design or plan must be developed in which the necessary information can be represented accurately, and a sample size selected which will accurately reflect the characteristics of interest.

Identification of Primary Sampling Unit

While selecting the appropriate primary sampling unit may seem to be fairly simplistic, it can be confusing if there are several levels of interest. In reporting on education issues, for instance, there is often interest at both the institution and the student level. If the interest is in only one of the two levels, the selection process is simplified. A simple random sample of an appropriate size can easily be defined. If, however, a simple random sample is not easily constructed or the cost of data collection is prohibitive (for instance a sample of students nationally), other sampling plans must be considered, each having associated costs and gains.

A frequently used alternative to a national selection of students is contact with clusters of students through the institution attended. This has the advantage of reducing the collection cost per individual because of centralization, and often has the added gain of institutional cooperation and support. The disadvantage is that while the unit of interest in the survey (students) has not changed, the primary unit for sampling purposes has been changed to the institution. One must now also be careful that the institutions which are to be selected are representative of the universe of institutions, so that the students in attendance are also representative of their respective universe. Similarly, if one is interested in both the student and institution level, the primary sampling unit is the institution, within which students can be sampled as representative at both levels.

Development of Sampling Design

Once the primary sampling unit has been selected, the easiest sampling design is a simple random sample in which each unit has equal chance of selection. A sample of sufficient size is very likely to adequately represent the population of interest. Estimates of a population characteristic can be made from knowledge of that characteristic as found within the sample. However, because the information is available for only a portion of the population and because that estimate could differ if a different sample were selected, some notion of how different the sample estimate is likely to be from the population value is needed. Most populations, if large enough, tend to be normally distributed along a continuum for a given characteristic. That is, most observations are clustered around a central point with increasingly fewer found further away from that point. Because of this, a probability range can be computed based on sample size compared to population size and variability within the sample on that characteristic. This is called a confidence limit or range, and can be interpreted as being the range in which the true population figure is likely to be found with a stated degree of probability or likelihood, usually 95 percent or 99 percent.

Refinements can be made to the selection method and resulting estimates if information related to the characteristic of interest is known about the population. Use of this related information can help to make estimates from the sample more precise by reducing the variability of the estimate. This is accomplished by dividing the population into smaller sections or strata, each containing observations which are more similar or homogeneous within the stratum and different between strata. This similarity within strata reduces the overall variability of the estimate and produces a more precise estimate. That is, the confidence range is shorter. This stratification variable or variables must be closely related to the variable or characteristic to be estimated. If the stratification variable is not related, its use can result in greater variability within strata than between, and a less precise estimate is obtained.

Selection of Sample Size

The third major concern in developing a sampling plan is to determine an appropriate sample size for the degree of precision and accuracy desired. If the sample size is too small, the sample is less likely to be representative of the population. In a simple random sample, each observation has a known and equal chance of selection. In drawing the sample, the first observation selected could be very much like the majority of observations, or it could be very dissimilar. The same is true of each of the second through nth observations. However, because the majority tend to be similar, the larger the sample, the more likely it is to be made up of observations which are similar in distribution to that of the population. An estimate can then be obtained which is very close to the true value. In addition, the larger the sample, the much more likely it is to look like any other sample of similar size on the characteristic of interest and produce similar results. When the sample is not of sufficient size, however, dissimilar observations take on a greater importance in the estimate, reflecting more of the extreme than is actually found in the population. Thus, with too small a sample, there is an increased possibilty of something which occurs very rarely appearing to occur much more frequently.

Analysis Specific to the GAO Report

The report by the GAO is presented in a statistical framework that implies highly reliable and statistically significant results. Evaluation of the brief methodological section provided in Appendix I of this report, however, reveals a lack of information to support the claim of 95 percent confidence that the sample is representative of the population and that estimates would not vary by more than 10 percent from the population value as stated.

The objectives of the study, as well as many of its results, emphasize attention to institutions rather than students:

"...we conducted a broad assessment of the Pell Grant program as administered by proprietary schools. Our review objectives were to determine if:

--the controls exist for insuring compliance with program regulations,

--the existing controls are adequate in preventing program abuses and assuring efficient and effective implementation of program activities ..."

"GAO estimates that 732 of the 1165 institutions ... (admitted students) ... who did not meet Department of Education (ED) established admisson standards."

"GAO found that about 83 percent of the schools failed to consistently enforce academic progress standards."

"GAO estimates that of the 1165 schools in its universe, 766 schools had misrepresented themselves to varying degrees, ..."

Insufficient Sample Size

Given this emphasis on institutions, the sample size (35 institutions) is insufficient to meet the GAO statistical reliability claims. A minimum of 92 institutions would be necessary to meet the stated goal. Because of this undersampling of institutions, there can be only about 75 percent confident that the sample represents the stated universe correctly. For significant Federal policy that affects the education and employment outcome for thousands of students, this is little better than arbitrarily selected case studies. Similarly, undersampling students within schools further reduces reliability.

Because the standard error, or indicator of the range within which the true population value is expected to fall, is inversely related to sample size, a resulting problem with such undersampling is that much less precise estimates can be made. Estimates such as the examples quoted above may very well be off by 15 percent or more. While this variance may still not put proprietary schools in a better light in terms of acceptance, knowledge that the true population might fall within a 30%+ range should not encourage the use of these statistics with much confidence.

Poorly Developed Sampling Design

In addition to inadequate sample size at the institution level, the GAO sampling design was poorly developed given the amount of information available at the time of sample selection. Information concerning number of students participating in the Pell Grant program was available. This should be directly related to numbers of participants who exhibit a characteristic of interest, such as course completion or acceptance based on ability to benefit. However, school size or program participation size was not taken into account in the sampling itself, only in the development of the weight (or number of similar students an individual student was to represent) which was accociated with each individual student to estimate national numbers. At no point was a total number of Pell recipients in the universe of 15 states reported, though the actual number would have been available from the same source as the program fund data which was used to select the 15 states. Instead, the schools were stratified by region of the country. Additional related information should be used when it is available in order to increase the precision of the estimate. Stratification attains its goal only if the resulting strata contain observations which are more similar within each stratum than is the population as a whole. There is no reason to believe that region of the country should be related in any way to Pell Grant administration. It has been shown by Raj and others that inappropriate stratification is worse than simple random sampling because of the resulting increase in variation within stratum compared to variation between stratum. This error can be additionally increased because of the differential representation often found within each stratum. Therefore, by using an inappropriate stratification scheme, additional error is introduced rather than improvement in estimates achieved.

In addition to failure to properly use available information to improve estimates at the institution level, no acknowledgement of the design effect related to selecting clusters of students within an institution was shown. Nor was any apparent attempt made to adequately sample students in order to attain the level of precision described. In order to make estimates at the institution level, and from there to the national level, students must be adequately sampled within that institution. For the population as described, this would amount to about 50 percent of the first-time Pell recipients in each school. Only the smallest schools were sampled sufficiently. A cluster sampling approach requires more students than would a simple random sample of students in order to take into account the reduced precision due to the design effect (Cochran). In addition, when the emphasis is on determining the number of institutions nationally which display a given characteristic, sampling students within those selected institutions can increase the observed occurance of a specific characteristic as result of the sampling scheme rather than be reflective of actual frequency of occurance in the universe. This problem is further compounded with the institutional under-sampling. When the characteristic of interest is consistent within the cluster (such as selecting an all-white block in order to determine population race or selecting a school which does not adequately enforce academic standards), a high positive interclass correlation exists with the result that a higher expectation for the population would be found than actually exists (Hansen, Hurwitz and Madow, 1953). In a school which does not enforce academic standards, for instance, the students are more likely to not be meeting those standards and those which are selected will reflect as a higher portion of the universe than is actually the case. Undersampling within that school will also affect the degree of estimated occurrence because the true population is not adequately represented. Extremes tend to be over-emphasized in undersampling.

A random sample of students in the universe of interest or a larger number of institutions sampled would improve estimates of characteristics of both students and institutions. The GAO sampling plan is badly flawed with respect to estimates of numbers of students and on many of the administrative characteristics of interest.

Lack of Comparisons

The mis-representation which might have resulted from these sampling problems cannot be determined without comparisons between the estimates and actual population parameters for related characteristics for which population data is available, such as school size, program offering or source of accreditation, or proportion of student body participating in the Pell grant program. No comparisons were provided. In fact, even though the selection interval was provided for different size schools, no indication of number of schools at each size level was given. There was no indication in the report of possible non-response bias, that which is introduced when selected subjects refuse to participate. Because student records were studied rather than students themselves, there would be less chance for individual non-response (files could still not be available for some reason). However, institutional non-response would at the same time produce individual non-response if the institution refused to participate and allow exploration of student files. Related to the problems indicated earlier, institutional refusal would significantly bias results depending on the characteristics of the refusing institution.

Several institutional and student-based estimates from the study and their standard error were presented. These standard error ranges vary from 10 percent of the estimate (cost of Pell funds for students not meeting standards) to over 100 percent of the estimate (figures regarding non-tuition-reducing scholarships). This translates into something like this' situation occurs, but how often is anybody's guess'. Generally speaking, standard errors of more than 10 percent of the estimate indicate extremely unreliable estimates.

This study as presented is strictly a descriptive study of characteristics of Pell Grant administration within the proprietary sector. No comparisons were made to other sectors or to program data for all institutions. While this is not statistically incorrect, it does leave a lot of room for misinterpretation. A natural reaction is to react to a single number as either good, bad, or indifferent, depending on the knowledge and background of the responder. However, this interpretation may not be the same for different people. In order for many to rationally come to a similar conclusion, comparative information must be provided. This lack of comparative information for data to be used in the national policy arena is a shortfall of this study. While it was not specifically mandated that comparisons be made to other sectors, the lack of context in which to place these institutions leaves interpretation open and unpredictable. For instance, the determination that 66 percent of the proprietary schools misrepresented themselves in some aspect of training or job placement is a finding. The interpretation which is left unsaid but implied is that this is significantly worse than occurs in other sectors. With the purpose of this report being to influence education policy, interpretations such as this can be expected for all areas of contention. No comparison is available to substantiate or refute this implied interpretation. Nor is there any indication of the degree of severity of the indicated misrepresentation. It does seem reasonably likely, however, that a number of institutions inadvertently some aspect of this. Thus, by lack of comparison, they are making the case seem worse than it may actually be. Moreover, the inadequacy of the sample as shown by the provided standard errors suggests a great deal of uncertainty as to how often the various forms of misrepresentation may actually occur.

Summary

In summary, the way in which this study was conducted and presented introduce such bias as to make its value questionable. The deficiencies in design are such that whatever population is under investigation is as likely to be found to be either very good or very bad as it is to be truly represented. By failing to provide comparative data for other sectors or populations, the extent of the misrepresentation is likely to be magnified. Because of the political nature of this report and the uses to which the results will be put, either correctly or incorrectly, it is suggested that a comparative study be designed and carried out which would at minimum accurately represent proprietary institutions on limited characteristics of high importance and at the same time place this sector on a continuum with similar non-proprietary institutions as well as within the total Pell universe of elegible institutions.

References:

Raj, Des (1972), The Design of Sample Surveys.

Cochran, William G., (1977), Sampling Techniques.

Hansen, Morris I., Hurwitz, William N., and Madow, William G., (1953), Sample Survey Methods and Theory, Volume I, Methods and Applications.

Mr. FORD. Mr. Fogel, what is the high school dropout rate in the United States for 1983?

Mr. FOGEL. I don't know, Mr. Chairman. I think that——

Mr. FORD. If I told you it was 27 percent, would you accept that?

Mr. FOGEL. Yes; I would accept that.

Mr. FORD. It is probably the most discussed criticism of public education found commonly extant in every State of the Union. The public cannot accept the idea that 27 percent of the 18-year-olds are not graduating. Interestingly, in 1950, after World War II, only 25 percent of the 18-year-olds in this country graduated from high school. We can never get any credit for the difference between 25 and 73 because nobody accepts any percentage of dropouts in the concept of American education as an acceptable rate of failure. We look at the dropout rate in the public schools as a failure of the parents, the children, and school system.

Now you said, and I wasn't here for all of your statement, something to the effect that the dropout rate from postsecondary education for ability-to-benefit students was double the dropout rate for high school graduates?

Mr. FOGEL. Using our calculations at the proprietary schools, for ability-to-benefit students the rate was 61 percent and for GED and high school students it was 47 percent. So, there was a difference. I also said that didn't mean that there weren't a lot of people that benefited. In our overall judgment, that was a fairly high dropout rate. We were concerned enough and believed that it was important to report on that as an issue.

I would agree with you completely, Mr. Ford, that it is a policy judgment on your part as to whether that is an acceptable rate. In the context of other institutions, and we weren't asked to compare them, you may wish to determine which is acceptable and whether you want to leave the program as is or change it. Our concern was we thought if you look at this program there were some ways in which Education could work with the accrediting associations, the schools and other experts to try to tighten up on the ability-to-benefit criteria.

Mr. **Ford**. But I am interested in the emphasis you put in your initial statement on the characteristic of an ability-to-benefit student that predicted a high rate of probability of it being a dropout.

Mr. **Fogel**. That is right.

Mr. **Ford**. Why would that surprise you?

Mr. **Fogel**. Well, it didn't surprise us.

Mr. **Ford**. Isn't it safe to assume that all of the ability-to-benefit students are already dropouts? Isn't that why they are ability-to-benefit students?

Mr. **Fogel**. That could be a correct assumption, yes.

Mr. **Ford**. Now, a policy that rescues 10 percent of people who were thought to be lost to the system would be considered humane, wouldn't it, rather than no policy at all?

Mr. **Fogel**. Yes.

Mr. **Ford**. Twenty percent would be better?

Mr. **Fogel**. That is right.

Mr. **Ford**. Thirty percent is getting pretty good?

Mr. **Fogel**. I think you would have——

Mr. **Ford**. Forty percent seems wonderful. If you could find 40 percent of all of the people who fall through the cracks in the American public school system, never make it to a high school diploma or a GED, and succeed in getting them through any course of study, that seems to me to be a remarkable accomplishment. And it would seem to me that there could have been some word in your study that looked at it from a positive point of view and said, given what you are starting with here and given what the expectations for those people is, that you are succeeding, indeed, in getting 40 percent of them back into the mainstream of life by getting them to complete something. That something is the first thing that they probably have completed in their life.

Mr. **Fogel**. Your point is well taken.

Mr. **Ford**. If you looked at what we considered a success rate with similar people in the Job Corps training programs, I think you would find that we almost invariably said that if we get 40 percent of them to a stage where they were probably looking for a job and probably would get a job, that that was very good because we were there dealing with a population that had no hope.

And I just am saddened to see the tenor of your response to Mr. Simon's request, applying all the negative connotations to the numbers you get without evaluating what those numbers mean in the sense of being, or having potential for being a positive indicator. I have looked at this analysis of your report done by Alice Diamond, and I look particularly at the dropout rate, and I would invite you to respond to us, either now or following this hearing, to the observation she makes about the deficiency of your report in interpreting your data.

Mr. **Fogel**. We will be pleased to do that for the record.

Mr. **Ford**. She says that using your data you get a dropout rate of 35.8 percent instead of 57 percent and that therefore you are overstating that rate by 59 percent.

Mr. **Fogel**. I would like to make one comment, Mr. Chairman. If you look at the Education Department regulations that were in effect when we did our work, the criteria they had adopted was a dropout rate of 33 percent. The point at which the rate went above 33 percent signaled that there were some concerns about how that particular school was operating.

Mr. **Ford**. What do you think it is the first year at the Air Force Academy?

Mr. **Fogel**. I don't know. I am trying to come back to the criteria they used.

Mr. **Ford**. But I don't know of any such criteria. Who uses that?

Mr. **Fogel**. This is the Education Department's criteria. This was their criteria in 1981.

Mr. **Ford**. And there is a regulation that says that a 33 percent dropout rate at some stage before completion indicates that a school is in trouble.

Mr. **Fogel**. It doesn't. It indicates that there is a need to look at the operation of the school.

Mr. **Ford**. And does that apply to all types of postsecondary education?

Mr. **Fogel**. Yes.

Mr. **Ford**. Well, they better not be sticking their nose into the Air Force Academy because we consistently run higher than that in the first year, with the cream of the crop I might say being sent there.

Yes?

Mr. **Clohan**. Mr. Chairman, if I could point out, the 33 percent requirement, frankly, in my mind is questionable in and of itself. And if you look at most of the dropout rates or noncompletion rates, and this is one of the problems with talking about the dropout rates, completion rates, and so forth, at almost all institutions of higher education in the United States you are going to come upon rates higher than 33 percent. Now the question and the question of the Department is do they apply that 33 percent standard selectively? I mean most of the noncompletion rates that I have seen for most colleges exceed 33 percent. In at 4-year program at many institutions it is 40 to 45 percent. They may go to another institution. If you start at a community college and don't complete it, but you may go to a State university.

Mr. **Ford**. They may go out and work for a couple of years.

Mr. **Clohan**. They definitely may go out and work. One of the problems, notwithstanding the 33-percent rate I think is questionable, the way the Department of Education along with GAO calculates it I think is also questionable. They don't take into consideration if you get a job. You know, what I call the positive termination. They don't take into consideration if you had child care problems or other types of problems that you can't afford to go to school.

Mr. **Ford**. So when Magic Johnson signed a contract for $3 million a year to play professional basketball——

Mr. **Clohan**. He is a dropout.

Mr. **Ford** [continuing]. He became a dropout as defined by the Department?

Mr. **Clohan**. That is correct.

Mr. **Fogel**. Right.

Mr. **Ford**. Boy, he really needed that extra year at Michigan State.

Mr. **Clohan**. He sure did. [Laughter.]

The only thing that is considered is if you transfer to another institution of higher education and can document that transfer. And as I understand it, the Department does not accept documentation that just includes a transcript, financial aid transcript, which creates an incredible administrative burden.

Mr. **Ford**. You also came up with a figure on how much money was wasted. Mr. Clohan's response is that you considered all the money wasted if somebody didn't finish the course. We know that people who don't finish high school frequently learn enough to go and function in industrial jobs. At least they could in the old days, and they still can in some. And you get punched in the nose in my district, which has a relatively high percentage of noncollege-attending heads of household, if you suggest that if you don't graduate from high school you are going to be a bum all your life. Because there are a lot of my constituents who would take great umbrage. They consider themselves good first-class citizens.

The possession of a high school diploma while still valued as a status symbol is not in most middle-class society considered any more to be a bar to being a good citizen and succeeding in the workplace and elsewhere.

But I wonder if in looking at the money that we might have saved if the criteria was applied more directly as you interpreted the Department to do it if you found any ways in which the Department should have been anticipating and monitoring this and does not. What could we change in the statute to head off the problem that you think you identify?

Mr. **Fogel**. I don't think there are a lot of statutory changes that need to be made. And this report did not make any direct recommendations to the Congress to change the statute. I think what we would really like to see is a more aggressive monitoring of this program by the Education Department. But we are faced with a dilemma.

Mr. **Ford**. You put emphasis on that in your statement, too. In what way monitoring this?

Mr. **Fogel**. I think more frequent visits to the schools to determine how they are complying with the various regulations and requirements. And this isn't necessarily just for proprietary schools.

Mr. **Ford**. Well, assuming for the moment that the Office of Education regulations are relevant, and let's assume that for the purpose of examining it. Just how much do you want somebody from the Department of Education to see when they go to a college or university or proprietary schools? What is it that they would have the wit and the will to interpret that they would see by physically visiting?

Mr. **Fogel**. I think our concern is primarily the frequency with which they make the visits, not that when they do them they don't necessarily do an adequate job. I mean, they have got to have regulations to apply against. Our concern is that when in some cases they went to schools, they wouldn't return for 2½, or 3 years in some cases, and it was up to the schools to take corrective action.

We don't realistically think that the Education Department can be totally relied upon to do all this. I don't think we want to have a bunch of Education Department auditors, GAO, or OIG auditors visit every school in the country. That is really not very productive. What we are saying is that we think they could increase their frequency some and also work more closely with the accounting profession. The schools have to be audited every 2 years, and that is a requirement that we think is a good one. There are things that could be done through those types of audits to ensure compliance with more of the financial requirements. In that case, some of the accounting firms haven't been doing their job as adequately as they should, given the regulations that the AICPA and the Education Department use. One of the things we think that can be done, and this doesn't involve a statutory change as Education is now doing it, is for Education to work with the IG and the accounting profession to get them to enhance the quality of their audits.

Mr. **Ford**. But I am a little concerned with the language of your summary of your report. Most of it subjective and suggesting policy inadequacies, that suggest a different role for the Department of Education than I have ever visualized them having. Indeed, the Department itself recommended in 1980 that it get entirely out of the accrediting business. The accrediting agencies in the country, such as the ones that are represented here, kicked up a big howl about that and said everybody will be doing their own accreditation and there won't be any responsibility, and so on.

The Department does not itself accredit institutions, it accredits groups to accredit types of institutions generally by type and in some cases by area. I don't think that there has ever been a policy initiative—I guess I can't say that since we got the amendment on secular humanism—that tries to tell schools what the quality of their education ought to be, how to measure quality, how to measure their product, how to do it. And implicit in the way in which your report is framed is the suggestion that you examine a cluster of schools that are not indeed providing a quality program because they are not following Department regulations. And I don't know of Department regulations that do or could reach those concerns.

Mr. **Fogel**. The regulations we were looking at related to the schools in terms of their ability to provide funds to students under title IV. We did not make any recommendation to the Education Department to get into the business of specifically judging the quality of the education or the specific progress of students at institutions. What we have said is that we wanted the Secretary of Education to explore the feasibility of developing criteria which would provide schools a better indication that such students have a reasonable likelihood to complete training. We assumed that what would be done in the context of any regulation-setting process would be to have the various educational institutions working with the accrediting associations. We did not mean to imply that Education would go further than the traditional role it has.

Mr. **Ford**. Mr. Coleman.

Mr. **Coleman**. Thank you, Mr. Chairman. Thank you for having this panel of witnesses that I had requested earlier in the hearings. I asked for this because the GAO report addressing proprietary schools participation in the Pell program. It is certainly a damning piece of information. I feel that it was only fair that we know more about the report, how it was developed and the information was gathered, and also to give the institutions who have been criticized a chance to respond. Mr. Clohan has done a very admirable job in making—responding to the allegations in the report, citing section by section what he feels is perhaps, misemphasis or misstatement of fact in the report.

I would like to ask Ms. Diamond some questions because her research is the basis of Mr. Clohan's remarks. But before I do, Mr. Fogel, I want to make sure I understand the chart on page 10 of your report which shows the dropout rates between so-called qualified and so-called unqualified students.

Mr. **Fogel**. That is right.

Mr. **Coleman**. And the paragraph that precedes that. Would you explain exactly what that chart is——

Mr. **Fogel**. Qualified students included both the ability-to-benefit group and the students with a high school diploma or GED. There was a certain number of students that were admitted by these schools that met none of those criteria. In other words, we found in our analysis that they were admitted without any assessment of whether they had an ability to benefit, let alone whether they had any high school diploma or a GED. Those are the groups of students that we classified as unqualified.

We certainly could have made the case, and we did not point this out in the report. Even for those students that made it through and were even in a lower category than the ability-to-benefit students, could be viewed in a positive vein. We tended to view it in a negative vein.

Mr. **Coleman**. Well, that is why I was asking the question. It looks to me, and please correct me, that the unqualified students had 38 percent. Is that the dropout rate?

Mr. **Fogel**. Yes.

Mr. **Coleman**. Or 38 percent attended one term or less.

Mr. **Fogel**. That is right; attended one term or less. And the remainder attended more than one term.

Mr. **Coleman**. But compared to the so-called qualified people, the qualified people attended one term or less in a greater percent?

Mr. **Fogel**. That is right.

Mr. **Coleman**. So that really couldn't be a negative.

Mr. **Fogel**. That is right. If you turn to page 8, you can look at the chart there. That shows the percentage dropout rate. Those were actually the numbers on page 10.

Mr. **Coleman**. But 62 percent of the unqualified went on for more than one term?

Mr. **Fogel**. That is right.

Mr. **Coleman**. But only 51 percent of the qualified went on for more than one term?

Mr. **Fogel**. That is right.

Mr. **Coleman**. I still fail to see how that can be interpreted as nothing but positive—I mean, from reading this chart it looks like the unqualified people here are doing better than the qualified people.

Mr. **Fogel**. Well, no. If you look on page 8, the unqualified students, and you would expect this, dropped out at a much higher rate. I think the point that we are trying to make is that if you look at this in total we believe that it showed that there was a problem—high dropout rate.

We thought that percentage rate showed that there was a problem that warranted addressing by the Education Department, the accrediting associations, and the schools. And what I would comment on is that indeed some action has been taken to try to tighten that up. Not just by the Education Department. The Accrediting Association has taken some actions, which I believe are very positive, to try to get the schools to focus a little bit more on the extent to which the students coming into these programs have a higher probability of getting all the way through.

Mr. **Coleman**. Mr. Clohan, Ms. Diamond, whoever wants to respond, I am going to cite some of the same things GAO aid. Would you have comment on them.

Schools allow students to retake entrance exams until they have received a passing score? Did you look into this phenomenon? GAO cites 10 percent of the schools allowing this. Is this something that you can confirm?

Ms. **Diamond**. I didn't try to go back to summary statistics because the time didn't allow it. I did find some schools that allowed students to retake exams. In those that I looked at it was always students who had scored maybe 1 below or maybe even 2 below the normal test score.

It was interesting to note that many times the schools had done research on whether those students ultimately had a higher dropout rate than the other students and found that that was not the case. That those students succeeded at the same rate, if not better rate, than other schools.

I think we have to realize in the retaking tests that there are a lot of people who really freeze up on tests, and I think a lot of our students who might be ability-to-benefit students are in that category. They have obviously had failure in another part of the education system and they approach that test and they freeze up and they fail it initially. I think it is reasonable to allow students to retake tests, and I think that in traditional higher education a lot of students retake SAT tests. Probably the majority. I didn't.

Mr. **Coleman**. You can take them as many times as you want.

Ms. **Diamond**. In the SAT test, sure.

Mr. **Ford**. Nobody takes the LSAT less than twice because you can take your highest score.

Ms. **Diamond**. Right. Sure.

Mr. **Ford**. What about the comments here that they say that there are some students who couldn't benefit from their training because they would need a GED or a certain graduation certificate in order to hold a license or to practice a particular trade in a particular State? Is that a valid criticism?

Ms. **Diamond**. Again I know from experience in working with schools that there are a lot of schools that accept students into their programs and can demonstrate that 90 or an even higher percentage of the students merely by being back into education and back into the learning environment, taking English, taking other kind of courses that, in effect, prepare them for taking the GED find that after a student is in their school for 3 months the student will actually go take that GED exam, they have a very high success rate at passing it. So in many ways I think that again it may be a requirement for graduation or for licensure but to make it a requirement for entrance is not necessarily valid.

Mr. **Coleman**. Mr. Fogel, did you look at any examples of reversing the situation for instance getting your proprietary training and then getting your high school degree or equivalent? Is that something that is feasible? Did you look into that?

Mr. **Fogel**. We didn't look into that. I would certainly assume that it could be feasible.

Mr. **Coleman**. Ms. Diamond, you indicated that on the ineligible student issue that you looked at a couple of actual files, did you not?

Ms. **Diamond**. Yes, I did.

Mr. **Coleman**. Would you explain to the committee what procedure you used and how you differ in your conclusions from the GAO on actually looking at certain files, and give us an idea of what kind of deficiencies you find in the GAO report and the classifications of these institutions being out of compliance?

Ms. **Diamond**. Well, for example, of the examples cited on page 11 of their report, they indicated that one school admitted Pell grant recipients into very short courses, which of course would not have been eligible for Pell, and they very strongly implied, in fact, said that students received certain amount of Pell awards and GSL funds on that basis.

When I actually looked at the students involved, these students had actually enrolled in 9 month courses, in longer courses, and had received their Pell grant when they were enrolled in fully eligible courses. Now, these two students had ultimately dropped, did not come back to school for three months. At the point in time they came back to school they were in ineligible courses; yet, when they received the Pell grant funds they clearly were eligible students.

Another case, the GAO had completely disallowed the eligibility of a program because it included remedial work which the school had labeled as GED training. Well, the information was available in the school catalog showing that only 100 hours of it was remediation, therefore the course was eligible. The student just should not have been compensated for 700 hours, but rather for 600 hours. Figures like that overstate liability by 700 percent and I think contribute toward an overstatement of the true problem that we really see.

Mr. **Coleman**. Well, the analysis, then, I believe in your example that if one student out of a student body was found to be ineligible and therefore, the institution was out of compliance does the institution then be considered 100 percent out of compliance.

Ms. **Diamond**. Of that school, right.

Mr. **Coleman**. Of that school. And that if every school had one such person, then we would have 100 percent of noncompliance.

Ms. **Diamond**. For example, on the ability-to-benefit area, if a school had one student who, for example, maybe even misfiling, that they didn't have the high school diploma and the high school diploma was their evidence of ability to benefit, that school was considered out of compliance and therefore that school became extrapolated to 34 schools in their ultimate sample. So it was an all-or-nothing measure of compliance, rather than what percent the school had violated.

In other words, the school clearly was using an ability-to-benefit measure but had erred in one student, that school was lumped in that area.

Mr. COLEMAN. Mr. Fogel, would you respond? Is that your understanding of how this was done?

Mr. FOGEL. Yes; we didn't do this audit to look at whether schools were specifically out of compliance and ought to return or have money refunded to the Federal Government. That was not the purpose of the audit. That is the type of audit that the Education Department does.

We cited examples to illustrate the problems that occurred. And when we say, for example, schools did not always adhere to requirements for training program eligibility, this also meant that sometimes they did adhere. We tried to use examples to illustrate.

Mr. COLEMAN. What page are you on?

Mr. FOGEL. The example that you were just talking about is on page 11.

Nowhere do we categorize a particular school as either totally in or totally out of compliance. That was not the purpose of our work. A compliance audit that auditors from the Education Department or the State might do would be expected to make this detrmination.

Mr. CLOHAN. Mr. Coleman, if I may. I guess I just asked the question then, you know, in stating, for example, in the executive summary that 732 of 1,165 schools in the universe admitted students who did not meet Department standards. Somehow there was an aggregation of institutions, and the question is how each one of those 732, how were they included? Was it the finding that 1, 2, 5, 10, 50 student awards were misapplied or whatever?

Mr. COLEMAN. What was your minimum basis for including a school in that group?

Mr. FOGEL. I think if we found an error, we would have included it. Compliance to me implies something very specific in audit language, and we did not do that. But you are right. If we found that there was a problem, we would have included the school in the number.

Mr. COLEMAN. Concerning satisfactory progress; did you fail to take into consideration in the report at what point the student ceased making satisfactory progress and the funds received by that student before and after that point? Is that a valid criticism of your report? If not, why isn't it?

Mr. FOGEL. Yes; we tried to show the cost for those students. We didn't try to total them up.

Mr. CLOHAN. Mr. Coleman, I am sorry. The bottom of page 9, the last paragraph, again the number of students who dropped out were aggregated and a dollar assessment of $86 million was established. I am not sure—as I read that, it does provide——

Mr. FOGEL. We looked at the total amount of aid that those students had received. That is right.

I guess I am having a little trouble understanding. The academic progress issue is discussed on pages 12 and 13, however, we don't have any aggregate dollar amounts on that.

Ms. **Diamond**. Yes; I believe on page 12 you quote $37 million—sorry—$68 million in Federal assistance of which 37 million was Pell grant funds to students who ultimately eventually did not make satisfactory progress.

Mr. **Fogel**. That were not complying. That is just how much money they received. That is right.

Ms. **Diamond**. Right. And I think some people perceived that as a dollar wasted or dollars that the school should not have provided them, whereas, in fact, a lot of those dollars were received while they were still making satisfactory progress.

Mr. **Fogel**. We didn't say that. All we said was they received that much money.

Mr. **Coleman**. On page 15 you say that lack of enforcement allowed 27,100 students to remain in school and continue to receive Federal funds when they are not making satisfactory academic progress. Where did you get the 27,100 figure?

Mr. **Fogel**. That is a projection from the sample.

Mr. **Coleman**. And that would have included this questionable part of how you—at what point you measured that?

Mr. **Fogel**. Right.

Mr. **Coleman**. So you don't figure a dollar figure there, you just——

Mr. **Fogel**. That is right. What we said is half of these students eventually graduated. They were able to get some benefit from it.

Mr. **Coleman**. Bear with me. I am juggling three large documents here.

[Pause.]

Mr. **Coleman**. I have been advised that the University of Missouri had a dropout rate in its first year of 47 percent, so we must be in violation of something I guess. [Laughter.]

Well, I found it interesting, Ms. Diamond, that some of the schools that you went back to talk to after they had been audited were shocked, dismayed, and surprised that the information that came out of their institutions wound up going through a process and came out in very critical, even they were given the impression that things were positive when they were being audited. Now this could be a tack that auditors take, I don't know. But at least in one case, the auditors enrolled a child of their own in one of these institutions, or a relative. Is that possible?

Mr. **Fogel**. We really tried. She said a grandson, and we are sure trying to find who that auditor was.

Mr. **Coleman**. I bet you are. [Laughter.]

Mr. **Fogel**. The only auditor we found that had a grandchild, the grandchild was 4 years old. So, we really don't think that that child was enrolled in any of these schools.

Now, there may be some that have some grandchildren we don't know about.

Mr. **Coleman**. Gifted and talented persons.

Ms. **Diamond**. If I may make a comment. I also in looking at the work papers of the auditors themselves found a lot of very favorable comments in the audit work papers. For example, saying things such as we had a very brief exit interview because we considered there were only a few things worthy of discussing since the school, in fact, was operating in compliance. We found that the regional summaries of the audits were, in fact, very positive, the two that I got the chance to look at, saying things such as all of the schools in that region were in compliance on satisfactory progress, et cetera. And one of the things we found really rather disturbing was the fact that both at a school level when we had telephone interviews as well as the audit work papers came back very favorably, whereas when the aggregate report got out it had a very negative tone.

And I think one of the recommendations that we would like to make is to have GAO do a much more thorough exit interview with schools prior to leaving the schools. Because having the Department of Education respond to an audit like this is as difficult a task as for me to take a look at it without actually going to the audit files. Because unless you know what the real facts of the situation are, you just can't respond because on the face of it it looks like there are some pretty awful things happening.

Mr. **Fogel**. Let me comment on that. I think that there are a lot of real facts in here, and we should not lose sight of that by any means. And there were problems that we found in these schools. That doesn't mean all the schools were bad or indeed that some of the schools weren't doing a good job. Some of our staff may have, very correctly so, told them that there were things that they were doing that were fine.

The way the analytical work is done on a job like this is, and it is a very expensive and time-consuming effort for us, that we send teams out from around the country to do the work. They really don't do the analysis, they gather the data. The data is brought into one place, as in this case, and then the analysis is done and the report is put together. A lot of the staff that may have been giving specifics to the individual schools were not in a position to look in total at what the picture was. And that is why we do sampling and we try to make projections.

But I do think that it is quite appropriate for us to try to have, and indeed we do try to have, closeouts everywhere. But I don't think we can dismiss the fundamental findings of the report that there were problems out there. That doesn't mean there weren't good things. But there is some problems that indeed the accrediting associations are trying to tighten up on and the Education Department is trying to work on. That is what we tried to achieve with the report and I think we have been able to do that.

Mr. **Coleman**. Mr. Henderson, wouldn't it be easier for everybody if you just had a standard test that you could have all of your accredited institutions give to their prospective students. So that students would have to have a certain minimum score, and that way they are protected and you are protected?

Mr. **Henderson**. I guess that would be easier.

Mr. **Coleman**. Why don't you do that?

Mr. **Henderson**. With all of the bias there is about tests and which tests measured what and what the needs of institution—what the needs of a test, what the measurement of that test should be would vary depending on what type of program the student was going into. So, I don't think you could develop one standard test that would measure what each institution would need to measure in helping them decide whether that student should be admitted to the program.

Mr. **Coleman**. Well, we live in an imperfect world, though, and this is part of the imperfection. We have a standard law school entrance exam, as Bill mentioned. We have SAT's. We have a lot of standard exams everybody takes through their whole academic career. And they may not be perfect, but we use them. I know there have been studies that say that perhaps they have been couched in language that might be difficult for some groups to respond to, et cetera—that is a concern. I don't know why it is so difficult for this area not to be able to formulate something that is objective.

Mr. **Henderson**. Congressman Coleman, I have been in postsecondary education for about 25 years now and used to be a university admissions officer. There is just a variety of tests out there, and I am not sure that it would even be sound educationally to develop a national test that everyone must pass before they can proceed further for their postsecondary education. I just think there are some philosophical problems with that type of approach where certainly it seems the easy thing to do. But I am not sure that the educational community would feel like that is a good thing philosophically to do.

Mr. **Coleman**. Well, we have tests for cosmetology schools here, and these schools feel that this is an appropriate examination.

Mr. **Ford**. If the gentleman would yield. I think that what is being overlooked in this discussion is that none of the schools that you talked about that use a test use a test as the exclusive measure of whether or not they would admit a student.

Mr. **Coleman**. But it provides prima facie evidence or at least something to show that a student can handle a certain test of study—we need some criteria.

Mr. **Ford**. No; it is one of several factors taken into account.

Mr. **Coleman**. That is right. But some of them don't have tests at all, and I believe it makes it more difficult to evaluate.

Mr. **Ford**. To get into law school, and I have intervened for a number of people with law schools, there is a theoretical minimum level they will accept in an LSAT. However, if they look at a good transcript with the right kind of courses from undergraduate school, they will attach more weight to that than the failure of the student to score well on the LSAT, which is a specialized test just for law students.

Mr. Donaway, who described this test that all of his cosmetology schools use, and it is pretty comprehensive, responded to me that this was taken and then in addition it was weighed against interviews with the people, and an assessment of that person's personality and other characteristics that would lead an experienced cosmetologist to predict that they probably would stick around and finish and could do the work. So, that virtually every place that entrance tests are used they are one of several factors, even at the academies. As you know, when you and I send our nominations to the academy, we give them the SAT scores that these kids have, we give them the transcripts and so on, and then they want to know if they played football, if they were Boy Scouts, if they were student body leaders and a whole lot of other things which seem in many instances to have a lot of influence on them. So, I don't think anybody uses a test as a make-it-or-break-it——

Mr. **Coleman**. I believe that they should have a test. And the fact that some people don't have a test is the point I was making.

Ms. **Diamond**. Could I also just comment very briefly on that? I think that there is probably a lot more homogeneity in lawyers than there is in the kind of courses that we are talking about in these schools. There is a tremendous amount of different kinds of schools that would have to be measured. For example, everything from—probably welding requires a lot different, it requires some manual dexterity, et cetera, whereas computer programming, another course which is very common in the private career schools, requires analytical schools. So, really, even though we are in an imperfect world, I think that to try to have a test for private career schools would be unworkable.

You can identify the kinds——

Mr. **Coleman**. Some tests. Not a test. A test so that there is some evidence.

Ms. **Diamond**. Well, you mean in terms of certain preapproved tests. So, it may be 30 different preapproved tests.

Mr. **Coleman**. Fine. I don't think that a lawyer needs to know what a welder does or vice versa.

Ms. **Diamond**. So, you are essentially recommending that maybe the accrediting commissions would review something.

Mr. **Coleman**. My suggestion to Mr. Henderson was that it would be good for these accrediting agencies to clear up some of the concerns by having some objective criteria based upon an examination as at least some measure to student ability to benefit for an education. It seems to me that it that would be helpful to those schools who are having some problems in this area.

I am not saying that it should be the tool of criteria. I didn't say there should be a national test, or any of these other things. But I believe the requirements of an exam would be helpful for all of us as a part of the overall evaluation. It is a protective device if nothing else, because you know we are going to have to write something in the law or the regulations. We are going to have to prescribe something, and it seems to me that none of this is a good answer to the problem that we are trying to address ourselves to.

Mr. **Henderson**. Congressman Coleman, I am sorry for misunderstanding. I was taking your term as "a test" rather than "tests." But we have, AICS, recently in the new criteria that became effective July 1, we say for students admitted under the ability-to-benefit provision that a student—such ability-to-benefit determination shall include as a minimum the administration of a validated test and academic and career advising.

Mr. **Coleman**. Well, then you have already done what I said.

Mr. **Henderson**. We have already addressed that issue.

Mr. **Coleman**. And as I said to others, is that I think that the accrediting agencies really have to do more in this area and I hope that you recognize the responsibility that you have.

Mr. **Henderson**. We do.

Mr. **Coleman**. Thank you very much, Mr. Chairman.

Mr. **Ford**. Thank you.

We will be very actively trying to put these things together in September, early in September. Do you think between now and then you could appear to be the 10 or 12 most serious criticisms of your study?

Mr. **Fogel**. Yes, Mr. Chairman.

[The information follows:]

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

December 12, 1985

The Honorable William D. Ford, Chairman
Subcommittee on Postsecondary Education
Committee on Education and Labor
House of Representatives

Dear Mr. Chairman:

On August 1, 1985, we testified before your Subcommittee on our report entitled, "Many Proprietary Schools Do Not Comply With Department of Education's Pell Grant Program Requirements." We participated in a panel which included representatives of the major associations which accredit proprietary schools. Witnesses for the proprietary schools presented testimony which disagreed with our recommendations and questioned the methodological soundness of our work. Some of the criticisms were that our sampling methodology was flawed, that our analysis used subjective value judgements, and that certain calculations we made were either incorrect or did not follow established Department of Education procedures.

The proprietary school representatives based much of their testimony on analysis prepared by consultants hired by the Association of Independent Colleges and Schools (AICS), the National Association of Trade and Technical Schools, and the National Accrediting Commission of Cosmetology Arts and Sciences. To facilitate their critique we made our supporting working papers available to one of these consultants who spent two days in our offices reviewing them. The consultant prepared a paper analyzing both our report and our working papers. We did not have an opportunity to study this analysis prior to the hearing, and were therefore, unable to respond in detail in our testimony to either the criticisms contained in that paper or questions raised by members of the Subcommittee relative to these criticisms.

At that time we offered to respond in writing to any questions which the Subcommittee might have. Your office subsequently provided a list of nine questions which we believe represent the most serious criticisms made by witnesses at the hearing. Senior GAO officials have carefully reviewed these questions, as well as other criticisms made of our report at the hearing, and in the written report prepared by the accrediting association's consultant.

Generally, we disagree with both the accrediting associations' testimony and the consultant's report, which among other things asserted that our report should not be used in making policy decisions. Upon reexamining our workpapers, we did note some errors, but these were neither material to our reported findings nor did they give us reason to change our conclusions or recommendations. Our detailed rebuttal of the major criticisms outlined in your questions is provided in the enclosure to this letter.

One of the major criticisms of our study was that the sampling methodology was flawed in that the sample contained too few schools. As I noted at the hearing, we recognize that with a more extensive sampling of schools we could have reduced the level of uncertainty regarding the estimates of the rates at which the problems we identified were occurring. However, the magnitude of the problems we found were so significant that increasing the work done to reduce the statistical uncertainties, which would have greatly increased the cost of an already labor intensive study, would not have changed our findings. Overall we believe the methodology we employed was statistically sound and provided an adequate basis for our conclusions.

Other criticisms stemmed not from the report, but rather the consultant's review of our workpapers, and centered on questions of the accuracy and adequacy of information in these workpapers and calculations we made in reaching our conclusions. For example, she questioned whether we correctly followed the Department of Education's procedures for computing factors such as school dropout rates and placement rates. However, the consultant took issue with information which, although included in our workpapers, was not used in developing or supporting our findings. For example, we collected information describing questionable, but apparently legal recruiting practices. We did not, however, use this information in the report. This could occur because it is common for researchers to gather more information than is subsequently used in a final report. As regards our computation of dropout rates, we used two separate measures which we believe accurately describe the situation in proprietary schools. Our placement rates were carefully calculated using the federal guidelines and our analysis verified the correctness of these calculations.

In other instances, the consultant's basis for taking issue with factual information in our report was incorrect. For example, in the illustrations we provided on misleading claims made by schools regarding placement rates of graduates, we included an opinion by one school's placement director citing the lack of placement opportunities in the local area. The consultant said this opinion was not hard evidence and that we should have examined the school's placement statistics rather than relying solely on this individual's statement. In fact our workpapers clearly showed that not only had we examined the schools' placement records, but that we had also spoken with both students and employers. More importantly, the placement director's statement was an illustration, not the basis for the finding that the school made misleading claims. That finding was reached in every case using disparities between schools' promotional literature and their actual placement rates.

The consultant did find some mistakes in our calculations, but these did not prove to be significant and after re-analysis did not alter our conclusions. For example, the amount of error made in calculating a student grant award which we reported for one school was overstated by $120 due to a mistake we made when transferring data from one workpaper to another. This calculation did not affect the basic conclusion, however, because the school had also computed other student awards erroneously and this was only one of many schools for which we found errors in grant calculations.

Thus after carefully reviewing the criticisms of our report, we still believe the problems which we identified deserve corrective action--namely that:

--many schools often do not adhere to their own admission standards and therefore admit unqualified students who tend to drop out at a higher rate than qualified students;

--the "ability to benefit criteria" being used often allows students to receive Pell Grants who have little likelihood of completing the training;

--many schools allow students to remain in school who do not meet academic progress standards;

--schools often misrepresent themselves to prospective students; and

--some schools make frequent errors in administering federal financial aid.

We are sending copies of this letter to Congressman E. Thomas Coleman; other interested congressional committees and members; the Secretary of Education; the Association of Independent Colleges and Schools; the National Association of Technical and Trade Schools; and the National Accrediting Commission of Cosmetology Arts and Sciences.

Thank you for affording us the opportunity to respond for the record to the criticisms of our report. We would be pleased to meet with you to discuss these issues further if you believe it would be useful.

Sincerely yours,

Richard L Fogel

Richard L. Fogel
Director

Enclosure

RESPONSE TO SUBCOMMITTEE QUESTIONS ON GAO REPORT: MANY PROPRIETARY SCHOOLS DO NOT COMPLY WITH DEPARTMENT OF EDUCATION'S PELL GRANT PROGRAM REQUIREMENTS

CRITIQUE: The sampling methodology is flawed by insufficient sample size, inappropriate sample design, lack of consideration to effects of sampling design and lack of a comparison group.

GAO REBUTTAL:

Our sampling methodology was not flawed. While a different sampling methodology would have produced more precise results, the findings would not have changed materially and we would draw the same conclusions. The magnitude of the problems we found at the schools we studied were so significant that doubling our effort to reduce the sampling error would not have changed the significance of our findings.

The critique also states that our sample size was insufficient to sustain our estimate that statistical sampling errors were in the range of plus or minus 10 percent at the 95 percent confidence level. This estimate of reliability pertained to our estimates on the aggregate student universe, not for schools or for disaggregated data. The actual sampling error for each of the major estimates used in the report was included in appendix I to the report. In many cases the error exceeded plus or minus 10 percent. However, the level of sampling error appropriate to reaching a given conclusion depends on the phenomenon being studied and the strength of the phenomenon. We were attempting to find out if certain serious problems existed and their general magnitude, which requires less accuracy than attempting to make more precise estimates of the size of a problem or determine whether a problem exceeded a specific threshold. If, for example, we estimated that a serious problem occurred 60 percent or 70 percent of the time, but due to uncertainty we knew that its actual rate of occurrence could be as low as 40 percent or 50 percent, we would still conclude that something should be done to alleviate the problem. Cutting the sampling error in half to reach an arbitrary measure of uncertainty (and greatly increasing the audit work necessary to do so) would still demonstrate the same problems. It would have made our estimates of their rates of occurrence somewhat more precise and would have cost a great deal more to achieve that greater precision.

Another criticism was that we did not consider the effects of sampling design on making estimates at the school level. However, our study was not designed to develop estimates for individual schools and we did not make estimates for individual schools. When data for individual schools is cited, it is used only to illustrate the nature of problems we found.

The critique also asserts that our study is flawed because it did not show whether the problems we identified at proprietary schools were also problems at other types of schools, such as public institutions. Proprietary schools were the only schools included in our review because the request for our review did not include these other types of schools. However, even if other types of schools also fail to comply with program requirements, it would not make the problems at proprietary schools any less severe or of any less concern to others.

CRITIQUE: GAO used highly subjective value judgments in deciding whether schools had misrepresented themselves.

GAO REBUTTAL

In concluding that we used value judgments in deciding on misrepresentation, the consultant hired by the accrediting agencies cited some data from our workpapers which we did not use in support of our findings and also described some of the examples used in our report as inappropriate illustrations of misrepresentation.

The reported findings on misrepresentation are based on the occurrence of practices which are prohibited by both the Department of Education's regulations on misrepresentation, and the policies of the individual accrediting agencies. These requirements prohibit schools from misrepresenting the nature of their educational programs, their financial charges, or the employability of graduates. Prohibited practices include false, erroneous, or misleading statements to an enrolled student or to prospective students; promotional advertising that leaves a false, misleading, or exaggerated impression; and offers of scholarships that do not represent bona fide reductions in tuition. Using these criteria we found that over half of the 35 sample schools misrepresented themselves to varying degrees.

The evidence the consultant cited to show that we used subjective judgment in supporting our findings of misrepresentation was information in our workpapers describing questionable practices which did not clearly violate program requirements. The practices documented in our workpapers described telephone canvassing of low-income neighborhoods as a means of recruiting students, commissioned recruiters, and scholarships to attract new students. However, because it was not clear that these practices were explicitly excluded by program regulations, we neither cited these examples in the report, nor counted these instances in the aggregate statistics supporting our findings.

We gathered information on how the schools represented themselves to students because these practices were of the type that could be abused and had been among the concerns that prompted the original congressional request for this study. For example, one congressman provided us information alleging that one school, under the guise of a work-study program, ran a telephone canvassing operation manned by Pell Grant students in its boiler-room. The school had students call phone numbers in poor neighborhoods offering an education paid for by federal grants. Another congressman gave us information alleging that recruiters were being paid $25 a person to recruit busloads of unemployed minority youth from Washington, D.C., to enroll in a South Carolina college. Upon their arrival, the students learned that the school had neither adequate facilities nor adequate faculty.

In criticizing our evaluation judgements the consultant also raised an issue regarding the thoroughness of the audit work. She noted that a school was mentioned in our workpapers as having failed to maintain files on students who had been rejected, and for having an incomplete accrediting report. She reported that the files in question were actually available and that the accrediting report was complete. We did not verify that these records exist, because we did not use this information in our report or in support of our findings.

The consultant also questioned examples used in the report in support of our findings on misrepresentation. One school told prospective students its job placement rate was 90 percent, 15 percent of which represented students who transferred to 4-year colleges rather than being placed in a job. Our report further stated that in our sample of 42 students at that school, 20 students dropped out. Of the remaining 22 students, 16 graduated and 9 of those got a job--5 in their field of training. The consultant's critque states that the school discloses its placement rate on its bulletin board and includes the fact that students who transfer are included in this rate. This implies that this information would therefore come to the attention of the prospective students. There is no guarantee that this would happen. More importantly, because only 5 of the 16 graduates (or 31 percent) found jobs in their field of training, we believe that the school's use of the 90 percent rate was misleading.

Another example in the report which the consultant questioned was a fashion design school which implied that good job opportunities existed in the local area by stating in its catalog that the area ranked high among states as an apparel producer. However, the school placement director told us that design graduates may have to relocate, settle for a job not fully using the skills for which they were trained, or become self-employed if they wish to get a training-related job because few employment opportunities existed in the local area. The consultant questioned our reliance on the placement director's statement without researching her motives, and implied that we had not reviewed the school's placement statistics. She did not, however, note that an earlier report (which was also included in our workpapers) by the National Association of Trade and Technical Schools (NATTS) found similar problems.

We did not rely solely on the statements of the placement director. We also talked with students and employers. Three of the eight sample students we interviewed told us school officials misled them about training and placement. For example, one said she was told about the "high paying" jobs she could get after graduation, but she did not believe she was well trained for these jobs. Another student said that very few graduates got jobs, and those that did were not working in their field of training. All six of the employers of graduates we spoke with expressed some reservations about the quality of training. Three employers said the students were poorly qualified in sewing and the production of clothes, and four said they would not hire graduates in the future.

In addition, we noted that during an earlier visit to the school NATTS found that "the training seemed more oriented toward 'home economics' than commercial and mass production. Instruction appeared to need updating to needs of industry, as did tools and equipment." The accrediting agency further found that "sewing equipment is the type commonly used for home sewing, while the pressing equipment is minimal," and that there seemed to be "insufficient time alloted to sewing and tailoring courses to have the student become proficient in specific garment-type construction." Moreover, NATTS also found that the school's use of the word "extensive" in its catalog to describe career opportunities appeared to be "overselling," and the "rags to riches" theme of some newspaper advertisements might also be overdone, particularly in view of the salaries that graduates can earn. The accrediting agency said several graduates it talked to expressed disappointment in the lack of job availability after graduation and the fact that they were still waiting for employment.

Also, contrary to the consultant's characterization we did examine the school's placement statistics. School records showed that the 13 fashion design graduates in 1980 and 1981 got jobs. This included five graduates who were employed by the school or were self-employed. Discussions with employers of several of the remaining eight graduates and of graduates prior to 1980 indicated the jobs or level of performance were below that expected for a fashion design graduate. For example, the employer of one graduate characterized the student's training as "poor" and stated he would not hire the school's graduates in the future because there are too many qualified in the field who need jobs and the 2-year design program at this school is not enough to learn the art. The employer of another graduate said the student was given alteration work for a while but performed poorly and had to be given sewing work that was below the level of her training.

CRITIQUE: **GAO found that job placement rates were misleading because it used a different formula for calculating job placement rates than that approved by the Veterans Administration.**

GAO REBUTTAL

The basis for this critique apparently is a misunderstanding by the consultant of why we included one school among those we cited in the report as having misrepresented themselves by overstating their placement rates. The consultant reported that we cited the school for overstated job placement statistics because the school excluded from its calculations students who were unavailable for placement. She said this procedure conforms to the policy used by the Veterans Administration and is considered appropriate practice by the education community.

We did not take issue with that practice and excluded those not available for placement from the calculations we reported. We reported that the school inflated its placement rate in another way by including as placements students who got jobs outside the field of training or only remotely related to their training. For example, of the 141 graduates at the school in fiscal year 1980-81, 44 were classified as not available for employment. Of the 97 graduates available for employment, only 68 (70 percent) were shown in the school records as being employed in their field of training. However, the school's student financial aid handbook reported an 87 percent placement rate for this same time period. In other words, even after eliminating graduates unavailable for employment the school quoted an inflated rate.

CRITIQUE: The reported findings were a surprise since many schools reported that GAO auditors indicated upon leaving that few or no exceptions were found.

GAO REBUTTAL

We did not find nor report that all schools had extensive problems. Our work indicated that some schools were carrying out their responsibilities for administering the program with little difficulty. However, many were not. Our auditors did conduct exit conferences in which problems were discussed in detail.

Nonetheless, the manner in which we conducted our sample and analyzed and reported our findings may have contributed to a "surprise" factor. At the schools we visited, information we collected on sample students was recorded on data collection instruments by our auditors and subsequently computer-analyzed at a central location after the work at all schools was completed. Therefore, at the time of the exit conferences, the auditors doing work at the schools did not have a sense of the strength of the results since they were looking at raw unweighted judgements and had not seen the information in aggregated form or weighted estimates of the magnitude of problems. Also, as discussed earlier, our selection of, and analysis at individual schools was not designed to characterize the performance of individual schools. It was our intent from the beginning to discuss our findings in the aggregate rather than by individual schools.

CRITIQUE: The method GAO used to calculate dropout rates is different than that used by the Department of Education and overstates the problem.

GAO REBUTTAL

In assessing the nature of the dropout problem, we used two methods to compute two entirely different measures of the dropout rate at the schools we visited. One was based on the number of students in our sample who did not complete their training and considered Pell Grant recipients only. The other, called a "withdrawal rate" in the Department of Education's guidelines, was calculated to compare to the Department's benchmark for poorly managed schools.

The first method showed the percentage of students enrolled in 1980-81 who did not complete their training. The second showed the percentage of students who were in school at a point in time and who had dropped out by some later point. It was our computation of the second measure with which the consultant took issue.

The Department's guidelines specify using an 8-month timeframe for computing the withdrawal rate for clock hour schools and a 12-month timeframe for credit hour schools. In making our analyses, we used a 12 month time frame for both so the rates would be comparable and permit generalization of the results.

For this reason, the withdrawl rates we computed were higher at clock-hour schools than the rates calculated by the consultant.

The key point, however, is that we concluded that high drop out rates were a problem based on the rates we calculated under the first method--not the withdrawl rate method.

The Department of Education's "withdrawal rate" measure is a management tool it uses to identify schools with potential problems that need attention. If the Department's method produces a percentage rate greater than its benchmark of 33 percent, the Department considers this an indication of inadequate instruction, improper management practices, or other actions by the school which impair its management of higher education programs. The Department's method considers only students enrolled at the beginning of a period, and for some proprietary schools (those on a clock-hour as opposed to a semester basis) limits the period to 8 rather than 12 months. This gives an indication of the number of students, who enrolled at a given point in time, will drop out within 8 months. Further, the rate could vary depending on the 8-month period selected. For example, selecting a period beginning in November when September had a large number of enrollees, many of whom dropped out before November, would tend to reduce the withdrawal rate as compared to starting in September.

The Department's "withdrawal rate" does not measure the percent of all enrollees successfully completing a program, and therefore produces an artificially low dropout measure. For example the Department's withdrawal rate method produced rates of 33 percent and 35 percent for two of the schools in our sample. However, using what we believe to be a more realistic dropout measure (the first method) showed much higher rates at these schools. At the school with a 33 percent withdrawl rate, we traced the outcome of each of the students who enrolled during the 1980-81 year. We found that 70 percent of the students (68 of the 97 students enrolled) failed to complete training. Similarly, at the school with a 35 percent withdrawal rate, 64 percent of the students (69 of the 108 students enrolled) failed to complete their training.

Further, several schools conducted studies of their dropout rate which corroborate our findings. For example, one study showed that of 287 first-time Pell Grant recipients during the 1980-81 school year, 155 students (54 percent) dropped out by January 1982.

CRITIQUE: GAO did not always follow Department regulations when auditing satisfactory progress.

GAO REBUTTAL

Department regulations covering the period we reviewed required that schools use reasonable standards for measuring whether students were maintaining satisfactory progress in their course of study. Therefore, in conducting our review, we used the schools' own standards (where they had them) to determine whether students in our sample were making academic progress. Schools that did not have standards as required by the regulations were so reported, and not included in our analysis.

The consultant criticizes our audit for declining the offer of one school official to recompute the grade point average

(GPA) of sample students throughout the year so we could determine whether students met the academic progress standards. However, our auditors calculated the GPA and determined that the school was in compliance. We did not include the school, therefore, among those we reported as not complying with their GPA requirements.

The consultant also criticizes the GAO report for citing a school for not having an academic progress standard for 1980-81, when the school developed one for the 1981-82 year and, retroactively, verified that all 1980-81 students met the 1981-82 standards. While they may have met a standard established after the fact, this does not negate our conclusion that during the prior year they did not have a standard and did not comply with the program requirement.

Another concern the consultant raised was our taking issue with whether students were making academic progress if the school's standard allowed them to maintain a lower GPA while attending school than that required for graduation. The consultant said it is common practice in academia to allow students to maintain a lower average grade early in their academic career and gradually raise it to that required for graduation. We understand that some students may need time to adjust to a new learning environment, and recognized in our report that a student should be able to eventually raise his or her average to the graduation requirement. However, as discussed in our report, this did not always happen. Some students remained in school with low GPAs and dropped out just prior to graduating. In fact some students with GPAs below graduation requirements were also allowed to graduate.

CRITIQUE: **The report does not recognize that proprietary schools do emphasize attendance although it is not a required component of satisfactory progress and, in the case of clock-hour schools, the regulations include controls against expenditures for excessive absences.**

GAO REBUTTAL

The report recognizes that Department regulations do not specify attendance as a required component of satisfactory academic progress. However, the regulations do require schools to have reasonable standards for measuring whether students are making satisfactory progress toward completion of their training. We noted in the report that accrediting groups require that schools establish and enforce measures of academic progress using both grades and attendance. We used the schools' own standards to measure compliance with academic progress requirements. Because accrediting groups emphasize attendance, most schools have combined attendance and classroom performance as a measure of academic progress. Our concern was with the failure of many schools to enforce the standards they had established.

The Association of Independent Colleges and Schools (AICS) stated in its testimony that a student's failure to attend classes will result in low GPAs and inadequate progress towards a degree or diploma, and that attendance requirements serve as a built-in mechanism to terminate students who miss excessive classes. This assumes, however, that schools enforce academic progress standards. But we found, and AICS has recognized, that this does not always occur.

The critique also implied that excessive absences usually do not result in additional cost to the federal government because schools are not to disburse Pell Grant funds until after students complete a minimum number of hours. However, we found that this was not always the case for two reasons.

First, the consultant's assumption applies only to clock-hour schools and many proprietary schools are not operated on a clock-hour basis. As AICS correctly pointed out in its testimony, students at credit hour schools may enroll for 12 credit hours, drop to no credit hours, and re-enroll for the same courses the next semester and receive additional financial aid.

Second, the consultant's assertion that no additional cost is involved assumes that clock-hour schools disburse federal financial aid in accordance with requirements of the regulations. Our report showed and others have found that this is not always the case. For example, in addition to the cases cited in our report, a Department of Education Office of the Inspector General audit of a cosmetology school found that payments were disbursed before students had completed the required number of clock hours (in some cases after they had dropped out of school). In at least one instance, funds were disbursed when there was no record of the student ever having attended the school. Further, the Inspector General found the school had deposited at least four checks payable to students in its operating account without the students' endorsement. The Department was in the process of collecting $2,644 from the school for the erroneous payments. At another school a Department of Education program review disclosed similar cases of improper disbursements. For example, one student received a second disbursement in November of one year but did not complete the required number of hours until April of the following year. Another student who received a second disbursement in February did not complete the required hours until May.

CRITIQUE: GAO states schools must have tests or other verifiable bases to document students' ability to benefit, whereas Department regulations do not specify the means of measurement or the requirement for student-by-student documentation.

GAO REBUTTAL

The Department's regulations specify that an eligible program admit only students with a high school diploma, GED certificate, or ability to benefit from training. The regulations covering most of the period we reviewed required that, for students admitted on the latter basis, schools must use an admission test or other verifiable basis to document a student's ability to benefit. Although the regulations were revised after our review, they still required that schools develop and consistently apply criteria for determining if students have the ability to benefit, and document that students so admitted met the criteria. Most of the schools that had incorrectly admitted students on the basis of an ability to benefit criteria had a policy of using a written test to determine ability to benefit. In these cases we checked to see if they adhered to their own admission requirements -- contrary to the consultant's contention that we used "subjective, arbitrary and questionable criteria" to develop this finding.

Two schools admitted some students on the basis of their ability to benefit, but had not developed a criteria for doing so. At one, 11 of our 34 sample students did not meet the school's admission requirements, three of which were admitted on the ability to benefit provision. All three dropped out after receiving $4,375 in Pell Grant funds. At the other school, students needed only to have completed the 10th grade in high school or prove they were over 35 years old to be admitted.

Four schools had requirements for something other than a test to determine a student's ability to benefit. For example, at one of these schools students were admitted on the basis of an interview, documented on the back of a student inquiry form the size of a 3x5 card. The only statement shown on the form for one student so admitted read: "English-Poor - Attending special classes for understanding English. They will assist student with book. Shows great interest." After about 4 months enrollment, however, the student dropped out because of her inability to comprehend the textbook. Other schools said they too used interviews but did not document them, or relied on letters of recommendation but did not always document them.

In reexamining our workpapers, we found that we reported eight students at three of these four schools as being improperly admitted to school when they actually were admitted on the basis of an interview or other allowed criteria. However, after excluding these eight students, there is little impact on the main point of the finding that the ability to benefit problem and the associated high dropout rate (61 percent) is a serious concern that needs to be addressed.

CRITIQUE: **Many schools cited for erroneous award calculations and/or disbursements resulted from GAO's lack of familiarity with regulations or inappropriate application of them.**

GAO REBUTTAL

We reported that part of the schools' responsibilities for administering the program require them to accurately compute and disburse Pell Grant awards to eligible students and make accurate, timely, and equitable refunds to both students and the federal government when students fail to complete their training. When we verified award computations and disbursements for our sample students, we found numerous errors. Also, we found that refunds the schools made were often calculated incorrectly, not made in a timely fashion, and in some cases, not made at all.

In its testimony, AICS pointed out evidence corroborating our findings on the magnitude of award calculation errors. The AICS cited a Department of Education-sponsored study showing that award error rates at schools were even higher than we indicated. The study showed more than 42 percent of all program participants received incorrect awards due to school errors in 1980-81 (the period we examined).

The AICS said the study included students from all types of schools and showed that the large number of errors was not just a proprietary school problem but a problem in the Pell Grant program nationwide. While that may be true, the issue is not whether other types of schools also violate requirements. The AICS implied that our report unfairly spotlighted admission, academic progress and dropout problems at proprietary schools without also recognizing or comparing them to public, nonprofit schools. However, we did not state or imply in the report that these problems were unique to proprietary schools. To the extent that other schools are not in compliance with program requirements, they too would require corrective actions.

Contrary to the critique, our auditors were familiar with the regulations. We spent a great deal of time studying program requirements and regulations. In carrying out our evaluation we also exercised professional care to assure that the work was accurate and reliable. Reexamination of the calculations questioned by the consultant shows that the work done to verify school calculations, disbursements and refunds did contain some erroneous calculations. The mistakes, however, had no material effect or impact on the findings.

One example the consultant questioned concerned a school which had, among other things, underawarded some students by failing to include the enrollment fee as part of the cost of attendance calculation. The consultant believes this fee was an application fee which may not have been an allowable cost of attendance at the time in question. According to Department of Education officials, an enrollment fee was an allowable component of a student's cost of attendance during the 1980-81 award year we reviewed. An enrollment fee differs from an application fee in that an enrollment fee is directly linked to a student's attendance at the school, whereas an application fee is paid to determine if the student may be admitted to the school program and is not directly associated with attendance. The disputed fee in this case was clearly labeled as an enrollment fee on the school's financial forms.

According to the Department, enrollment fees should have been included in the school's calculation. Education's Inspector General also cited this school for underawarding students during the same period and for the same reason--failing to include the enrollment fee in cost of attendance calculations.

In another example, AICS said in its testimony that we were not conversant with transfer student regulations and thus mistakenly felt an error had been made. The testimony is misleading because it implies the school made no error, however, the consultant acknowledged in her report that an error had been made but not as large as we said.

The example concerned a student who was underawarded because the school did not base his award on tuition and fees for the full 1,500-hour course because he had previously attended another school and needed only 500 hours to complete the program. The school computed the award to be $1,062. Using Education's regulations as our guide, we computed the student's award to be $1,750. According to the consultant, "It certainly would have been supportable to instead use the lower tuition rate used for transfer students. This would have yielded a Scheduled Award of $1,438, thereby reducing the amount of the underaward to 45 per cent of that stated." Thus, the consultant agrees that the school erred but disputes the amount of the error.

We disagree with the consultant's interpretation of the regulations. The Department's handbook states that the amount of a transfer student's Pell Grant award should be calculated the same as any other student's. We interpreted this to mean that any adjustment needed because of the shorter length of attendance should be accomplished by prorating the disbursement based on the number of clock or credit hours the student is expected to attend. In responding to this critique we verified our interpretation with both program and policy officials at the Department of Education.

Mr. FORD. Thank you very much for your participation.

[Whereupon, at 3 p.m., the subcommittee was adjourned, to reconvene subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

PREPARED STATEMENT OF DAVID CISNEROS, INDEPENDENT STUDENT STATUS

I. Introduction.

Currently, federal law defines an unmarried student as independent, if during the year prior to and in the year of application that person certifies that he or she:

1. will not live with parents for more than six weeks;
2. will not be claimed by parents as a dependent on any tax return filed for federal taxes; and
3. will not receive more than $750 in support from parents.

Under present law, married students must only certify factors 1-3 for the year of aid application.

The Department of Education has proposed a change of the independent student definition. Under the change, all federal aid applicants below age 22, except for orphans and wards of the courts, would be classified as dependent on their parents. Those applicants, age 22 and above, would have to show evidence of self-support as well as meet current criteria for establishing independent status.[1]

This proposal, along with several other state and organizational proposals and plans, are the result of several perceived problems in the current federal definition.

Many critics argue that the first two criteria of the current definition, financial support and residence, are difficult to verify. As to the income tax criteria, there is an argument that families that choose to do so can give up the tax exemption for an otherwise dependent student, and in many cases, the greater tax liablility will be more than offset by the student's increased eligibility.

In a hearing before the House Subcommittee on Postsecondary Education held on October 27, 1983, several issues concerning independent student status were discussed. The witnesses before the Subcommittee presented several alternatives to the current definition.

Linda Berkshire, of the National Coalition on Student Financial Assistance, presented the Coalition's recommendation that one additional base year be added to the current federal definition for undergraduate students. The current federal definition would be continued for students who are enrolled in educational programs beyond the first baccalaureate degree.

Larry Gladieux, of the College Board, submitted a report entitled, "Financial Aid for Self-Supporting Students: Defining Independence." The Report evaluated the impact of the current federal definition and proposed some alternatives. Specifically:

1. Extending tax independence; and/or
2. A minimum age requirement of age 22; and/or
3. Proof of self-sufficiency; and/or;
4. Applicants must be married or show evidence of providing for dependents; and/or
5. Applicants must be at least four years beyond the date of high school graduation.

Larry Matejka, of the Illinois State Scholarship Commission, and Gary Smith, of the Pennsylvania Higher Education Assistance Authority, presented alternative definitions. These recommendations are presented later in this report.

II. States and Organizations.

A growing number of states and organizations have adopted different criteria for determining self-supporting status under their own student aid programs, regardless of the federal definition. Specifically: California, Indiana, Minnesota, New Jersey, New York, Ohio, Pennsylvania, and Washington State, now require a 'stricter' definition of independence than is necessary under federal law. A ninth state, Illinois, has recommended a change in the federal definition. However, Illinois is obligated to follow federal guidelines since the State's scholarship program is tied directly to the Pell Grant System.

The State of California requires applicants to fulfill the three criteria in the federal definition for the year in which aid is requested and the three previous years. However, there are several exceptions to the general requirement. If an applicant falls into one of the following categories, then he or she need not fulfill the federal criteria:

1. Has been a ward of the court;
2. Is an orphan and will not be claimed as an exemption for income tax purposes by anyone other than self or spouse;
3. Has been a part of an extremely adverse home situation which is documented...;
4. Is 30 years or older, unless there is substantial evidence of parental support.
5. Is 21 years or older and is a veteran.

See Appendix A.

The State of Indiana requires students to be age 22 or older to qualify for independent status. Additionally, those applicants who do qualify must also fulfill the criteria of the federal definition.

An exception: A student whose parents are both deceased is automatically considered independent.
See Appendix B.

The State of Illinois has proposed that unmarried veterans under age 22 without dependents be prohibited from switching dependency status to independency status. The current federal definition would be used for all other students.
See Appendix C.

The State of Minnesota considers a student to be dependent unless the applicant:

1. Has been involuntarily separated from parental support, e.g. an orphan or a ward of the state;
2. Is 22 years of age or older and fulfills the criteria in the federal definition;
3. Is a veteran, or married, and fulfills the criteria in the federal definition;
4. Is under 22 years of age, but contrary to his or her wishes, has been involuntarily severed from a family relation, so that considering the parents' financial support would be unrealistic and cause the applicant undue hardship.

See Appendix D.

The State of New Jersey requires students to fulfill the three criteria of the federal definition. A fourth criterion has been added requiring the student to have used at least $1400 of his/her own resources during the calendar year.
See Appendix E.

The State of New York considers a student independent if he or she:

1. Is 35 years or older on July 1 preceding the academic year;
2. Is 22 years or older on July 1 preceding the academic year and fulfills the three criteria of the federal definition;
3. Is under 22 years, fulfills the three criteria of the federal definition, and is able to meet at least one of the following requirements:
    a. Both parents are deceased, disabled, or incompetent;
    b. The student is receiving public assistance, other than ADC or food stamps;

c. The student is a ward of the court;
d. The student is unable to ascertain parents' whereabouts;
e. The student is unable, due to an adverse family situation, to submit information on parents' income.

4. Is a graduate student or a married student and fulfills the three criteria of the federal definition.

See Appendix F.

In Ohio, a student is independent if he or she;

1. Does not receive any support from another supportive economic unit other than an applicant's spouse; and
2. Does not reside with any other economic unit other than an applicant's spouse; and
3. Is not claimed as a tax exemption by any other supportive economic unit, other than the applicant's spouse;
4. Can demonstrate financial means of self-support.

The only exceptions to these requirements are for orphans without legal guardians, wards of the state or inmates of penal institutions. These applicants may apply automatically as independent students.

See Appendix G.

The rules of the State of Pennsylvania are set out in full. An applicant must meet any one of the following in order to be considered an independent student:

1. Must be a veteran;
2. Must have graduated from high school six years or more prior to the academic year for which aid is requested;
3. Must be an orphan, a ward of the court, or the parents' wherabouts are unknown;

4. Must reside with a guardian (who has not legally adopted the applicant) and meet both of the following tests:
    a. The applicant has not lived with parents during the 12 months preceding the academic year or received support in excess of $500 from the parents during the prior tax year and in the year of application.
    b. There were extenuating reasons for the applicant to leave the parents' home, such as abusive treatment, alcoholism of the parent, or other reasons beyond the control of the applicant.

5. Must meet each of the three following points:
    a. The applicant was not and will not be listed as an exemption on any federal income tax return except his or her own for the calendar year immediately preceding the academic year or filed during the academic year and the applicant has not received and will not receive more than a combined total of $500 in financial assistance from any relative other than the applicant's spouse within either of the above-referenced years.
    b. Except for holiday periods (limited to recognized national holidays), the applicant did not and will not reside with any relative other than a spouse during the 12 months immediately preceding the academic year or, if so residing with such a relative, has paid and will continue to pay room and board of at least $100 per month (or room rent only of at least $50 per month) during the aforementioned period.
    c. The applicant shall demonstrate to the satisfaction of the Agency access to resources (income, loans, other scholarships, etc.) sufficient to meet reasonable living expenses during the academic year and summer months.

Note. The Pennsylvania Rules and Regulations further describe the resources which the Agency would require a student to have available in order to meet reasonable living expenses for a single applicant through a six member family.

See Appendix H.

Washington State is similar to California in that it requires students to fulfill the three factors enumerated in the federal definition for the year in which aid is requested and the three previous years. The only exceptions to this requirement are those students whose parents are deceased, those who are wards of the court, or those who have 'unusual circumstances' precluding the securing of parental support. See Appendix I.

In addition to the organizations that testified before the Subcommittee, several other organizations have proposed alternative definitions.

The National Association of Student Financial Aid Administrators (NASFAA) has proposed a change in the federal definition. Under NASFAA's proposal, if an undergraduate student is 22 years of age or younger, on July 1 of an award year, that student would be required to include parental data on the need analysis form unless the student is:

1. An orphan or ward of the court, or both of the parents' are deceased;
2. Married;
3. Single, but has dependent children of his or her own; or
4. A veteran.

An undergraduate student who is 23 years of age or older prior to July 1 of a given award year would not have to include parental data. Graduate or professional students would not be required to include parental data on their need analysis form unless required to do so by the institution they are attending.

NASFAA has also proposed that the institutional financial aid administrator may exercise his or her professional judgment to make exceptions in those cases where the aid administrator has knowledge that should be taken into consideration in overriding any of the requirements for the students to submit parental data.[2]
See Appendix J.

The Association of American Universities, joined by the Council of Graduate Schools and the National Association of State Universities and Land-Grant Colleges, advocates that graduate students should be considered categorically independent for the purpose of determining access to need-based aid, provided they are not declared as dependent on anyone's tax returns.

The National Education Association believes that the definition of the independent student should not be further restricted. Basically, NEA's position is that the federal definition should remain the same.
See Appendix K.

III. Discussion.

Various definitions have been presented in this report. The main issue underlying these alternatives is: What definition best categorizes legitimately independent students?

The alleged problems with the current federal definition is that there are abuses of the definition by those students who are not legitimately independent.

Are there major abuses? Several factors are involved. There has been an increase in recent years of the number of independent students. In the Pell grant program, the percentage growth of independent students has increased from 36.9 percent in 1976-1977 to 48.3 in 1982-1983.[3] The growth may be reflective of changes in program eligibility, program growth and expansion and increasing participation by older students.

What is probably most important is that the percentage of the total of these eligible independent applicants in the Pell grant program under the age of 22, which is the group where most of the perceived abuse is believed to be, has actually declined during that same 7-year period from 32.1 percent in 1976 to 30 percent in 1982.

The Department of Education has responded to this perceived abuse by recommending that all aid applicants below age 22 should be classified as dependent. But this recommendation has received strong criticism. The primary concern is that many students who are legitimately independent at an earlier age will be arbitrarily (unconstitutionally?) denied access to higher education.

Whether the increase in the percentage of independent students is due to the factors mentioned above, and therefore what is the most appropriate response, has not been effectively studied.

Notes.

1. See, Budget for the United States Government for the Fiscal Year 1986, appendix at page I-110. Specifically the law reads:

   > Provided further...(1) any student who has not attained 22 years of age by July 1 of the award year shall be deemed dependent...unless that student is an orphan or ward of the court, and (2) any student who is 22 years of age...who wishes to claim independent student status must be economically self-sufficient and must satisfy (the present criteria).

2. In a random non-scientific telephone survey of several organizations with offices in the Washington, D.C. area, it was found that numerous organizations have formally or informally endorsed the basic tenets of NASFAA's proposed definition.

3. These figures were obtained from tables compiled by Elaine El-Khawas, Vice President, Policy Analysis and Research, American Council on Education for A Policy Seminar sponsored by The Associational Council for Policy Analysis and Research and the National Commission on Student Financial Assistance, June 3, 1983.

4. See, Steven D. Cameron, Illinois State Scholarship Commission, The ED Independent Student Definition: An ISSC Analysis and Recommendation, June 16, 1983.

Appendix A

California

EDUCATION CODE

(a) The awarding of financial assistance to needy students by state funded student aid programs appropriately considers family income in determining an applicant's financial need.

(b) Claiming of financial independence by students whose parents are in fact able to provide financial assistance unfairly redirects limited student aid dollars from students with legitimate financial need.

(c) Definitions and procedures by which a student may declare financial independence from the student's parents differ among state-funded student aid programs and among institutions. A statutory definition of when a student's eligibility for need-based, state-funded grants is to be determined without regard to his or her parents' financial circumstances will reduce confusion and ensure that such grants are allocated to students on the basis of a more equitable evaluation of their financial need.

(Added and repealed by Stats. 1977, Ch. 36. Supplemented by Stats. 1978, Ch. 1214. Repeal inoperative.)

Applicability of Provisions

69504. The provisions of this article apply to all need-based student grants that are funded by the state or a public postsecondary educational institution. Nothing in this article shall be construed as attempting to regulate the selection or awarding of scholarships to applicants by the state or a public postsecondary educational institution where the scholarships are funded and awarded pursuant to the terms of a private endowment, trust, or similar instrument.

(Amended by Stats. 1978, Ch. 1214.)

Considerations re Financial Need

69505. Except as provided for in Section 69506, the resources of an applicant's parents, and spouse where applicable, as well as those of the applicant, shall be considered in determining an applicant's financial need.

(Added and repealed by Stats. 1977, Ch. 36. Supplemented by Stats. 1978, Ch. 1214. Repeal inoperative.)

Income of Applicant's Parents

69506. Notwithstanding any other provision of law, the Student Aid Commission or any public postsecondary educational institution shall not consider the income of an applicant's parents in the determination of an applicant's financial need if the applicant meets all of the following requirements:

(a) Has not and will not be claimed as an exemption for state and federal income tax purposes by his or her parent in the calendar years aid is received and in any of the three calendar years prior to the award period for which aid is requested.

(b) Has not and will not receive more than seven hundred fifty dollars ($750) per year in financial assistance from his or her parent in the calendar years in which aid is received and in any of the three calendar years before the award period for which aid is requested.

(c) Has not lived and will not live for more than six weeks in the home of his or her parent during the calendar year aid is received and in any of the three calendar years before the award period for which aid is requested.

Nothing in this section shall exempt any applicant from submitting parental income information pursuant to Section 69672, or from submitting such information solely because the applicant comes within the provisions of Section 211 of the Civil Code.

With respect to any action taken by the Student Aid Commission on or after August 1, 1981, the amendments to this section which became effective January 1, 1982, are deemed to have been operative on and after August 1, 1981.

California

EDUCATION CODE

Whenever it determines that it is in the best interest of the state to do so, the Student Aid Commission may adopt regulations which change provisions of subdivisions (b) and (c) of this section in order to conform with changes in the federal definition of student independence from parents for purposes of student financial assistance, as set forth in regulations promulgated pursuant to subparagraph (1) of subdivision (c) of Section 1089 of Title 20 of the United States Code.

(Amended by Stats. 1982, Ch. 895.)

Income of Applicant's Parents

69506.5 Notwithstanding Section 69506, neither the Student Aid Commission nor any public postsecondary educational institution shall consider the income of an applicant's parents in the determination of an applicant's financial need if the applicant meets one of the following requirements:

(a) Has been determined to be self-supporting prior to June 30, 1977, according to the procedures of the California postsecondary educational institution from which he or she is currently receiving need-based, state-funded financial aid.

(b) Has been a ward of the court, in which case appropriate court documents shall be submitted.

(c) Is an orphan and will not be claimed as an exemption for state and federal income tax purposes by anyone other than self or spouse for the calendar years aid is received.

(d) Has been a part of an extremely adverse home situation which is documented and supported by school or responsible community personnel such as a minister or social worker, which situation has led to estrangement from the family under circumstances where the student has not received a contribution in cash or kind from his or her family for the preceding 12 months. Public postsecondary educational institutions and the Student Aid Commission shall develop a procedure to allow students to appeal decisions on whether the student has been part of an adverse home situation.

(e) Is 30 years of age or older, unless there is substantial evidence of parental support of the applicant.

(f) Is 21 years of age or older and is a veteran who has been discharged under honorable conditions from the Armed Forces of the United States after serving in active duty for two years or more, except active duty for training, unless there is substantial evidence of parental support of the applicant.

(g) Is a veteran who was discharged or released from the Armed Forces of the United States due to a service-connected disability regardless of age or length of time served.

Nothing in this section shall exempt any applicant from submitting parental income information pursuant to Section 69672, or from submitting this information solely because the applicant comes within the provisions of Section 211 of the Civil Code.

(Amended by Stats. 1983, Ch. 282.)

Refusal to Furnish Financial Information

69507 In instances where an applicant does not meet the criteria specified in Section 69506, and the parents refuse to provide financial information, the student may not be considered for a grant. In those instances, however, the student may be considered for a loan or employment aid to the extent that such are available on the basis of the resources of the student and the student's spouse, if any.

(Added and repealed by Stats. 1977, Ch. 36. Supplemented by Stats. 1978, Ch. 1214. Repeal inoperative.)

"First-year applicant" is a student who has never attended a post-secondary institution or has not completed the equivalent of two (2) enrollment periods as a full-time student.

"Full-time student" means a student who has registered for at least twelve (12) hours of credit for an enrollment period of more than eight (8) weeks in duration at an approved institution. For an enrollment period of eight (8) weeks or less in duration, a student must have registered for at least six (6) hours of credit to be classified as a full-time student. Any exceptions to this rule must be approved in writing by the Executive Director.

"Letter of denial" means a notice to an applicant stating the reason(s) the individual is not eligible to receive a State award.

"Parent(s)" means an applicant's father and/or mother, or the person having custody when an applicant's parents are divorced, or a legal guardian or legal custodian if such a person has provided an applicant with more than one-half (1/2) his/her support.

"Parent contribution" means the amount of money the parent(s) can be expected to contribute toward meeting the applicant's cost of education, based upon the information submitted on the Financial Aid Form (FAF).

"Priority date" means a specific calendar date that may be established by the Commission. Applications received on or before the priority date will receive preference in funding awards. In the event applications submitted by the priority date do not exhaust available funds, the Commission may consider applications submitted after the priority date.

"Regularly assessed fees" means those fees at any approved institution which are common to all students at such institution.

"Renewal applicant" means an applicant for a State award who received such an award for any enrollment period during the previous academic year(s).

"Resident of Indiana" refers to a person who is domiciled in the state for the six-month period immediately preceding the first day of the academic year.

"Resident student" means a student who is classified by the Commission to be residing within the State of Indiana.

"Self-help" means the resources an applicant is expected to provide toward post-secondary education costs. Self-help shall consist of 35% of the cost of education at an eligible institution unless otherwise specifically prescribed by the State appropriations act.

XXX "Self-supporting student" means an individual who meets all of the following criteria:
(1) Has not and will not be listed as an exemption for Federal income tax purposes by any person except his/her spouse for the calendar year in which aid is received and the calendar year prior to the academic year for which aid is requested, and
(2) Has not received and will not receive financial assistance of more than seven hundred fifty dollars ($750) from his/her parent(s) in the calendar year in which aid is received and the calendar year prior to the academic year for which aid is received, and

(3) Has not lived or will not live for more than forty-two (42) days in the home of a parent during the calendar year in which aid is received and the calendar year prior to the academic year for which aid is requested, and
(4) is twenty-two years of age on or before January 1, 1983.

A student whose parents are both deceased is automatically considered self-supporting even though the tax exemption, financial support, residence criteria, or age requirements may not have been met.

"State award" means a Freedom of Choice Grant, Higher Education Award or Hoosier Scholar Award as defined in IC 20-12-21.

"Total contribution" is the sum of parent contribution, student contribution if the student is independent of parent(s), self-help expectation, estimated Pell Grant, Social Security, Veterans Administration, and Bureau of Indian Affairs benefits.

"Upperclass applicant" means a student who has completed one (1) but not more than three (3) academic years in an approved institution of higher education. (Student Assistance Commission; Reg 1)

585 IAC 1-1-2 Administration of program
Authority: IC 20-12-21-5
Affected: IC 20-12-21-4

Sec. 2. Under the provisions of IC 20-12-21-5 the State Student Assistance Commission of Indiana (SSACI) is empowered to promulgate such rules as may be necessary to develop and implement the Higher Education Award, Hoosier Scholar Program and the Freedom of Choice Grant Program. The Commission hereby (a) designates the executive director as the administrator of the Freedom of Choice Grant Program, the Higher Education Award Program and the Hoosier Scholar Program, and (b) authorizes the executive director to seek and obtain any Federal funds that may be available to supplement or complement the programs authorized by this chapter [IC 20-12-11].

The executive director shall administer the terms and provisions of this chapter (IC 20-12-21) and is vested with such authority as is necessary to enable him/her to administer fully and effectively the provisions of IC 20-12-21.

Any guidelines established by these regulations [585 IAC 1] which are superseded by action of the General Assembly will be allowed to be automatically revised by Commission action without promulgation in order to reflect the action of the General Assembly. (Student Assistance Commission; Regs 1-1, 1-2 and 1-3)

585 IAC 1-3-5 Fraud or misrepresentation; filing of charges
Authority: IC 20-12-21-5
Affected: IC 20-12-21-5

Sec. 5. In the event the Commission has evidence that an applicant or his/her parent(s) filed an inaccurate application with the clear intent to commit fraud or misrepresentation, the Executive Director shall be directed by the Commission to file a formal charge against the alleged guilty party with the Prosecuting Attorney in the county of the applicant's residence and/or withdraw the full amount of the award for the academic year in which the award was made. (Student Assistance Commission; Reg 3, Rule 5)

Appendix C

Illinois

ISSC Recommendation

Since the primary concern is abuse of the current definition by parents and students who switch dependency status to increase their eligibility for federal student financial aid, the ISSC proposes that unmarried non-veterans under age 22 without dependents be prohibited from switching dependency status from dependent to independent. The current independent student definition shoud be used for all other students.

As a result, the current financial aid form would not have to be expanded. Marital status, veteran status, the age of the student, and the number of dependents can already be determined from the information gathered on the current forms. Since ED already has a cross-year system, it could be used to check the dependency status of the student in the prior year, and a new system would not have to be developed to identify students who applied as dependents the prior year and independents in the current year.

This analysis indicates that in 1982-83 2,465 independent students who were unmarried non-veterans under age 22 with no dependents applied as dependents the year before in 1981-82. These sfudents increased the estimated Pell Grant payment by approximately $1 million. If the ISSC's proposed independent student definition had been in effect in both 1981-82 and 1982-83, the 1982-83 savings would have been approximately $2.3 million. In three or more years the proposed independent student definition's annual savings should be approximately $3 to $4 million or 3 percent of the total annual Pell Grant payment to Illinois applicants.

The ISSC proposes that unmarried, non-veterans under age 22 without dependents (ED classification #5) be prohibited from switching dependency status. There could be exceptions such as death of parents reported on the Special Condition applications. The currrent definition should be used for all other independents. This approach would not increase the size of the current financial aid forms, is simpler than the May 23, 1983 Department of Education's definition, affects approximately 3 percent of the total population and should result in savings of $70 to $90 million annually after the first three years. The definition prevents abuse of the current independent student definition to increase eligibility for federal financial aid, while protecting students under age 22 who apply initially as independents. In addition, prohibiting unmarried students without dependents under age 22 from switching to independent status prevents higher income families from transferring family responsibility for paying college costs to the federal government.

Minnesota

4830.0500 RANKING APPLICANTS.

Subpart 1. Classification and ranking of applicants. Each applicant shall be placed in at least one of the following classifications: renewal scholarship, renewal grant-in-aid, initial scholarship, initial grant-in-aid. Grant-in-aid applicants are ranked according to parental contribution; applicants with the least parental contribution are awarded first. Scholarship applicants are ranked according to class rank as a junior in high school; applicants with the highest class rank are awarded first.

Subp. 2. Priority of classes of applicants. Applicants renewing scholarships shall be given first priority. Applicants renewing grants-in-aid shall be given second priority. Applicants for initial scholarships shall be given third priority. Applicants for initial grants-in-aid shall be given fourth priority. Awards shall be made on a funds available basis. Once an award is made it may not be withdrawn in order to award an applicant of higher priority.

Subp. 3. Awards based on need. Awards determined by financial need shall be assigned each applicant in descending order of rank until available funds are exhausted.

MS s 136A.11; 136A.111; 136A.121; 136A.132; 136A.141; 136A.20; 136A.233; 136A.236; 136A.70

8 SR 196; 8 SR 2335; 9 SR 991

4830.0600 AWARDS.

Subpart 1. Monetary awards. The amount of a scholarship or grant-in-aid financial stipend may not exceed an applicant's cost of attendance, as defined in Minnesota Statutes, section 136A.121, subdivision 6, after deducting the following:

A. A contribution by the applicant of at least 50 percent of the cost of attending the institution of the applicant's choosing.

XXXXX B. A contribution by the applicant's parents, as determined by a financial need analysis. The parental contribution will be considered in determining the state award, unless one of the four following situations applies.

(1) The applicant has been involuntarily separated from parental support because the applicant is an orphan or a ward of the state, the applicant's parents cannot be located, or the applicant has suffered mental or physical abuse necessitating the separation. The conditions must be established by court document or by an affidavit from a member of the clergy, social worker, lawyer, or physician.

(2) The applicant is 22 years of age or older on October 1 of the state fiscal year for which aid is received, and establishes that she or he is not dependent upon parental support, based on the following information for the applicant's parents' tax year ending during that fiscal year, and the preceding tax year:

(a) the parents did not and will not claim the student as an income tax exemption;

(b) the student did not and will not live with his or her parents more than six weeks in either calendar year; and

(c) the parents did not and will not provide direct or indirect support worth $750 or more in either calendar year.

The facts must be established by affidavit from the parents if they can be located, and by additional documentation, such as income tax returns, proof of residence, voter registration, or similar documentation that reasonably may be requested by the board or its agents and employees.

(3) The applicant is:

(a) married, and in the applicant's parents' tax year ending during the fiscal year for which aid is received, the parents did not and will not claim the student as an income tax exemption; the student did not and will not live with his or her parents more than six weeks; and, the parents did not and will not provide direct or indirect support worth $750 or more; or

(b) a veteran, or a single parent, or divorced, separated, or widowed, and establishes that in the applicant's parents' tax year ending during the fiscal year for which aid is received, and the preceding tax year, the parents did not and will not claim the student as an income tax exemption; the student did not and will not live with his or her parents more than six weeks; and, the parents did not and will not provide direct or indirect support worth $750 or more.

(4) The applicant is under 22 years of age on October 1 of the state fiscal year, for which aid is to be received, and the applicant has, contrary to his or her wishes, been involuntarily severed from a family relation with his or her parents and has been refused their financial support so that considering a deduction for a contribution by the applicant's parents in determining the state award would be unrealistic and cause the applicant undue hardship. To qualify for this exception, the applicant shall document to the satisfaction of the fact finding committee established in subpart 1d that an exception to a presumption of the applicant's dependence on the parents is warranted, and that the applicant meets the conditions in subitem (2), units (a), (b), and (c).

C. An estimate of the amount of a federal Pell grant award for which the applicant is eligible.

Subp. 1a. Minimum. The minimum financial stipend shall be $100.

Subp. 1b. Letter. The applicant applying under subpart 1, item B, subitem (4) shall write a letter requesting determination of eligibility to the board's manager of the scholarship and grant-in-aid program for presentation to the fact finding committee of the board. The letter must be accompanied by the following documentation:

A. an affidavit from the applicant establishing that the applicant's parents have severed relations with the applicant and have refused to provide financial support to the applicant;

B. if possible, an affidavit from the applicant's parents establishing that they have severed relations with the applicant and have refused to provide financial support to the applicant;

C. two affidavits from members of the clergy, social workers, or lawyers establishing that the applicant's parents have severed relations with the applicant and refuse to provide financial support to the applicant; and

D. additional documentation such as income tax returns, rent payments, proof of residence, or voter registration may be requested by the board or its agents and employees to establish that the applicant's parents have severed relations with the applicant and that the applicant has established a pattern of self-supporting behavior.

Subp. 1c. **Appeal.** The applicant may appeal an adverse determination under subpart 1, item B to the executive director of the board within ten days of receiving notification of the determination. The executive director shall review the determination and make a finding. The executive director shall, on written request of the applicant, forward the determination to the board or to an appeals committee of the board to review the case and make a finding. The applicant may appeal the latter finding in writing. Then the board must forward the contested case to the Office of Administrative Hearings.

Subp. 1d. **Fact finding committee.** The fact finding committee of the board shall consist of the deputy executive director of the board, one financial aid officer appointed by the board, and one student appointed by the board. The appointments will be for one year or until a successor is appointed. The deputy executive director will act as chairperson of the fact finding committee and will convene the committee as necessary. In the event the financial aid officer or the student is involved in any way in a case before the committee the involved one must be replaced by an alternate appointed by the board.

Subp. 2. **Adjustments to awards.** If financial need decreases because a recipient chooses a different school after the scholarship or grant-in-aid award is offered, the award shall be reduced. If a change in schools causes financial need to increase, the award shall be increased only if funds are available.

Subp. 3. **Nonmonetary awards.** Honorary scholarships, which are nonmonetary awards, shall be granted to all applicants who have no financial need or did not request financial aid and who rank equally with or above the last monetary scholarship recipient.

MS s 136A.11; 136A.111; 136A.121; 136A.132; 136A.141; 136A.20; 136A.233; 136A.236; 136A.70

8 SR 196; 8 SR 2335; 9 SR 991

4830.0700 METHOD OF PAYMENT.

Subpart 1. **Payments to schools.** After a scholarship and grant-in-aid award is determined, the award shall be sent by the executive director to the school chosen by the recipient. The school shall apply the award to the recipient's educational costs in the following order: tuition, fees, books, supplies, and other expenses. The costs must be prorated for each term of the academic year. The school shall notify each recipient that the award has been received by the school.

Subp. 2. **Refunds.** A scholarship and grant-in-aid is awarded for full-time attendance at a specified school for the academic year of nine months within a state fiscal year. If a recipient fails to enroll or ceases to be a full-time student, the school must refund the unused portion of the award. Refunds to the board are determined as follows:

A. Determine the percentage that the state scholarship or grant award represents of the student's total financial aid package for the applicable term;

B. Multiply that percentage by the amount determined to be refunded to the student under the school's refund policy.

New Jersey

NEW JERSEY DEPARTMENT OF HIGHER EDUCATION
OFFICE OF STUDENT ASSISTANCE
CALCULATION OF THE NJ ELIGIBILITY INDEX (ESTIMATED FAMILY CONTRIBUTION) FOR THE 1985-86 ACADEMIC YEAR

XXX A. DETERMINATION OF DEPENDENCY STATUS

In order to calculate the NJ Eligibility Index, the dependency status of the student must first be determined. To be considered independent for the purposes of NJ grant and scholarship programs, the student:

1. must not have resided with the parents for more than six weeks (42 days) during the current or previous calendar year,

2. must not have been claimed by the parents as an income tax exemption in either the current or previous calendar year,

3. must not have received more than $750 worth of support from the parents during the current or previous calendar year,

4. must have had at least $1,400 of his/her own resources during the 1984 calendar year.

NJ student resources are computed as follows:

The sum of NJFAF Q24--1984 income from IRS Form 1040, 1040A, or 1040EZ for student (and spouse) and NJFAF Q26a-1984 deduction for a married couple when both work or the sum of NJFAF Q28a--Student's 1984 income and NJFAF Q28b--Spouse's 1984 income, whichever is greater.

+ NJFAF Q29a--Social security benefits
+ NJFAF Q29b--Aid to families with dependent children for student (and spouse)
+ NJFAF Q29c--All other 1984 untaxed income and benefits for student (and spouse)
+ NJFAF Q40--Veterans GI Bill and Dependents Educational Assistance Benefits (amount per month x number of months-maximum 12 months)
+ NJFAF Q41--VA Contributory Benefits (amount per month x number of months-maximum 12 months)
+ Student's (and spouse's) net worth computed as follows:

  NJFAF Q35--Cash, savings and checking accounts
  + NJFAF Q36--Home equity (value less amount owed)
  + NJFAF Q37--Other real estate and investments (value less amount owed)
  + NJFAF Q38--Business and farm (value less amount owed adjusted according to Table 3)
  + Student reported financial aid (NOTE: This information does not appear on the NJFAF. If the resources reported on the NJFAF are less than $1,400, the student is sent an Additional Information Request (AIR) and is asked to provide the amount.)

If the student meets the above criteria, he/she will be considered independent.

dent, a family net taxable income[*] below $25,001 ($20,001 if a dependent graduate student), or if independent and single with no tax dependents, a net taxable income below $5,667, and (4) be charged a tuition of at least $200 per year. All income data are subject to verification with the New York State Department of Taxation and Finance.

XXX The current definition of independent status is as follows:[**]

(1) 35 years of age or older on July 1 preceding the academic year; or

(2) 22 years of age or older on July 1 preceding the academic year; and not:

  (a) resident for more than 6 consecutive weeks in the current, previous or subsequent calendar years, in any house, apartment or building owned or leased by parents,

  (b) claimed as a dependent by parents on their Federal or State income tax returns for the current or previous tax years,

  (c) recipient of gifts, loans or other financial assistance in excess of $750 from parents in the current, or previous, or subsequent calendar years, or

(3) under 22 years of age on July 1, preceding the academic year and meeting all other requirements of (2) above, and in addition able to meet and document at least one of the following requirements:

—both parents deceased, disabled, or incompetent,

—receiving public assistance other than Aid to Dependent Children (ADC) or food stamps,

—ward of a court,

—unable to ascertain parents' whereabouts,

—unable, due to an adverse family situation, to submit information on parents' income.

Graduate students and married undergraduates are exempt from the requirements of provision (3) above in determination of financial independence.

Undergraduate students generally receive TAP awards for four years of study. Students enrolled in approved five-year programs, or in a State-sponsored opportunity program, may receive undergradua supplemental source of financial assistance to students from families with income below the prescribed maximum levels in the table of grants provided in the law. In this way, it will be possible to assist in eliminating the economic barrier which may have discouraged promising students in planning to seek a higher education. Accordingly, the "Ohio Instructional Grant" program requires information about family income as a basis for determining the grant available under the law.

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[*] The income measure is the family's (or independent student's) State net taxable income from the preceding tax year plus certain nontaxable income, and (for dependent students) support from divorced or separated parents. This income may be further adjusted to reflect other family members enrolled full-time in postsecondary study.

[**] Independent status under the State definition does not necessarily insure independent status for Federal aid programs.

(2) It is the purpose of the "Ohio Instructional Grant" program to encourage parents to assume the financial responsibility for the student's undergraduate education. It is not the purpose of the "Ohio Instructional Grant" program to encourage students to separate themselves financially from their families for the purpose of higher education enrollment.

(3) If a student has been a part of any other supportive economic unit contributing materially to his or her support in the calendar year which immediately precedes the year in which the grant application is filed, such student shall be considered a member of such unit for the purpose of determining "Ohio Instructional Grant" eligibility for the academic year.

XXX(4) In order to qualify for consideration as a separate family unit, i.e., an independent student, the student must meet the following conditions:

(a) The student must not have received any financial support from any other supportive economic unit, other than the applicant's spouse, during the calendar year which immediately precedes the year in which the grant application is filed or receive support during the calendar year in which the grant application is filed or the calendar year which immediately follows the year in which the grant application is filed.

(b) The student must not have resided with any other supportive economic unit, other than the applicant's spouse, during the calendar year which immediately precedes the year in which the grant application is filed and must not reside with such supportive economic unit during the calendar year in which the grant application is filed or the calendar year which immediately follows the year in which the grant application is filed.

(c) The student must not have been claimed as a tax exemption by any other supportive economic unit, other than the applicant's spouse, for the calendar year which immediately precedes the year in which the grant application is filed and must not be claimed as a tax exemption by any other supportive economic unit in the calendar year in which the grant application is filed or the calendar year which immediately follows the year in which the grant application is filed.

(d) The student must demonstrate financial means of self support.

(5) Certification of the student's support status shall be required by affidavits submitted by the student and the student's last supportive economic unit.

(6) Applicants who are orphans without legal guardians, wards of the state or inmates of penal institutions may apply to the "Ohio Instructional Grant" program as independent students.

Leave of absence

Students who have received grants, but for emergency or extraordinary reasons (as determined by the institution, not including academic reasons) must leave the institution for a particular quarter or term during the academic year, may be considered for the application of their grant to the remaining quarter or term during the current academic year. The institution shall notify the Ohio board of regents of the student's re-enrollment through the established procedure utilizing the "Grant Payment Form."

Classification

The following definitions shall be utilized in establishing the race of an applicant. The classifications for statistical purposes are:

(1) Black-American
(2) Spanish surnamed American

PART II - AWARD DETERMINATION

INDEPENDENT CRITERIA

Refer to Section 121.44 (b) of Rules and Regulations

Identification of Policy

Applicants may be processed without regard to parental financial data if they (the applicants) can meet the requirements for independent status.

XXX

Requirements. The applicant must meet any one of the following in order to be considered financially independent:

1. Must be a veteran of the Armed Services.
2. Must have graduated from high school six years or more prior to the academic year for which aid is requested.
3. Must be an orphan, a ward of the court, or the parents' whereabouts are unknown.
4. Must reside with a guardian (who has not legally adopted the applicant) and meet both of the following tests:
    a. The applicant has not lived with parents during the 12 months immediately preceding the beginning of the academic year or received support in excess of $500 (if court-ordered support, $2,000 or more) from the parents during the tax year immediately prior to the academic year for which aid is granted and does not anticipate receiving support from or living with the parents during the current tax year.
    b. There were extenuating reasons for the applicant to leave the parents' home, such as abusive treatment, alcoholism of the parent, or other reasons beyond the control of the applicant.
5. Must meet each of the three following points:
    a. The applicant was not and will not be listed as an exemption on any federal income tax return except his or her own (filed individually or jointly) for the calendar year immediately preceding the academic year or filed during the academic year and the applicant has not received and will not receive more than a combined total of $500 in financial assistance (such as educational cost support, maintenance support or "in kind" aid, necessities, gifts, and so forth) from any relative other than the applicant's spouse within either of the above-referenced years.

PART II - ELIGIBILITY DETERMINATION

INDEPENDENT CRITERIA (con't)

Refer to Section 121.44 (b) of Rules and Regulations

b. Except for holiday periods (limited to recognized national holidays such as Christmas, New Year's, Easter, and so forth), the applicant did not and will not reside with any relative other than spouse during the 12 months immediately preceding the academic year or during the academic year or, if so residing with such a relative, has paid and will continue to pay room and board of at least $100 per month (or room rent only of at least $50 per month) during the aforementioned period.

c. The applicant shall demonstrate to the satisfaction of the Agency access to resources (income, loans, other scholarships, etc.) sufficient to meet reasonable living expenses during the academic year and summer months. The resources which the Agency would require a student to have available in order to meet reasonable living expenses are as follows:

Single Applicant	- $3000 plus tuition and fees
Two Member Family	- $4100 plus tuition and fees
Three Member Family	- $5000 plus tuition and fees
Four Member Family	- $5900 plus tuition and fees
Five Member Family	- $6900 plus tuition and fees
Six Member Family	- $7900 plus tuition and fees

(For families with seven or more members, the Agency would use the base income of $7,900 plus $800 for each above six members.)

Other procedures that are applied in administering this test are:

(1) Where the students cannot meet the minimum resource, as referenced in c, but have documented, to staff's satisfaction, their claim to being self-sufficient as a result of frugal living by sharing their living facilities with one or more students, they may be approved as meeting this test.

(2) Consideration of the student's current year anticipated income in combination with other resources available to the student may be used to meet this test when prior year resources are not sufficient.

(3) Pell aid and/or an anticipated State Grant may be used as a resource where such would make the difference between existing resources and the minimum which the Agency would require.

of parent information. (See Page II-10 regarding the nomination of students with unusual circumstances.)

XXX Definition of "Independent Student"

An "independent student" is one whose parents do not acknowledge and accept financial responsibility for the student and who meets the following requirements:

(1) The student has not been and will not be claimed as an exemption for federal income tax purposes by any person except his or her spouse for the calendar year(s) in which a State Need Grant is received and the prior calendar year.

(2) The student has not received and will not receive financial assistance of more than $750 in cash or kind from his or her parent(s) in the calendar year(s) in which a State Need Grant is received and the prior calendar year.

(3) The student has not lived and will not live in the home of his or her parent(s) except during occasional temporary visits during the calendar year(s) in which a State Need Grant is received and the prior calendar year.

Documentation of Independent Status

Question 73d, e, and f of the Washington Financial Aid Form is sufficient documentation of independent status if the student reports 1980 or before as the last year of parental support, if the student is 22 years or older as of June 30, 1985 (as reported on the FAFNAR).

If a student is under 22 years of age (as of June 30, 1985) and reports the last year of dependency as 1980 or before, he or she must confirm the information in a separate statement. The statement need not be signed by the parent(s).

Each independent student must also supply a statement of his or her earnings and liabilities for the calendar year prior to enrollment as an indicator of his or her financial strength. Information for 1983 as collected in the 1984-85 Financial Aid Form (FAF) is sufficient to satisfy this requirement.

If the financial aid officer questions the student's eligibility for a State Need Grant because of previous earnings, the nomination form and complete documentation should be sent to the Council for review. The State Need Grant Review Committee will consider the documentation and make a recommendation concerning eligibility.

COMPUTATION OF STATE NEED INDEX

The State Need Index is the result of the following formula:

SNG Ranking Factor
-SNG Total Family Contribution
STATE NEED INDEX

Nomination Work Sheet

An optional "Nomination Work Sheet" which may be used by the institution in computing the State Need Index is shown on page II-13.

Nomination of Single Students

A single student will have one of two ranking factors, depending on whether he or she lives with parents during the school year. A single student who will live with his or her parents during the academic year will have a SNG ranking factor of 1970; a student who lives in an apartment or on campus will have a SNG ranking factor of 2770.

To compute the student's State Need Index, his or her total family contribution (including the expected parent contribution, if the student is, or has been dependent on his or her parents for support at any time during 1981, 1982, 1983, or 1984) is subtracted from the appropriate ranking factor.

SINGLE STUDENT: LIVES WITH PARENTS

1970	State Need Grant Ranking Factor
- ____	Student's Contribution from Assets
- ____	Additional Student Resources
- ____	Parent Contribution
======	
____	STATE NEED INDEX

SINGLE STUDENT: LIVES AWAY FROM PARENTS

2770	State Need Grant Ranking Factor
- ____	Student's Contribution from Assets
- ____	Additional Student Resources
- ____	Parent Contribution (if applicable)
======	
____	STATE NEED INDEX

Please note that only 70% of the spouse's estimated academic year income is to be counted as a student resource. The spouse's estimated school year earnings must be taken from line 39b of the Financial Aid Form, rather than from the FAFNAR. The figure estimated by the student (as adjusted by the financial aid officer, if appropriate) is to be used, as opposed to the "minimum contribution from expected earnings" which will be considered in packaging aid. The figure cannot be taken from the FAFNAR, since the income shown there will include both student and spouse's expected earnings for a twelve-month period.

In order to avoid shifts in the eligible population, only 70% of the spouse's estimated school year income will be considered a resource. (In prior years the working spouse allowance roughly approximated that amount.)

Examples of resources which should not be counted as additional student resources:

-Institutionally-administered financial aid
-Outside scholarships .
-BIA grants
-Food stamps
-Those portions of other agency funds designated for tuition and fees only
-Student earnings

(While these resources are not included in the computation of the State Need Index for nomination purposes, they must be considered in the student's overall financial aid award. Further reference to total resources is included in Chapters IV and V of these guidelines.)

STATE NEED GRANT
REQUIREMENT FOR
PARENTAL DATA

XXX Although the definition of "independent student" is essentially the same as used for the federally-funded financial aid programs, the SNG program requires parental data for those students who have not been self-supporting for three calendar years prior to the academic year for which the SNG is awarded. Parents' financial information must be provided and an assumed parent contribution computed for a student who reports dependency on parents during 1981, 1982, 1983, or 1984 on question 73d, e, and f of the Washington Financial Aid Form. The only exceptions to this requirement are those students whose parents are deceased, those who are wards of the court, or those who have been approved by the SNG Review Committee as having unusual circumstances which preclude the securing

September 1, 1984

Appendix J

NASFAA

REVISED DEFINITION FOR "INDEPENDENT STUDENT" PROPOSED

dm

Members of NASFAA's Need Analysis Standards Committee have developed a proposed revision in the criteria for determining whether or not a student applying for Title IV student assistance must include his or her parental financial information on the need analysis form.

Currently, the law defines an unmarried student as independent, if during the year prior to and in the year of application that person certifies that he or she

1. will not live with parents for more than six weeks;
2. will not be claimed by parents as a dependent on any tax return filed for Federal taxes; and
3. will not receive more than $750 in support from parents.

In February of 1983, NASFAA's National Council adopted the position that: "the criteria that is included in the law to establish independent student status should be extended to include one additional calendar year prior to meeting the conditions for independency beginning in the 1984-85 award year, and that this new criteria, in future years, be subject to ongoing review by all parties involved in the financial aid delivery system." The proposal to add the one additional year was deferred by Congress for a variety of reasons, and the Student Aid Technical Amendment bills have retained the current statutory definition through the 1986-87 academic year.

However, since 1983 NASFAA has received numerous comments from the membership, suggesting that the current definition needs to be reexamined and modified, so as to incorporate criteria that can more easily be verified, but which will also provide appropriate assurances that those persons who truly are "self-supporting" are not unfairly penalized.

Therefore, in keeping with its charge to re-examine the definition and to develop more appropriate criteria that might be considered during the upcoming Reauthorization of the Title IV Student Aid Programs, the Need Analysis Standards Committee has developed an alternative set of data elements that can be used to determine whether or not a student must include his or her parents' financial information.

Under the committee's proposal, if an undergraduate student is twenty-two (22) years of age or younger, on July 1 of an award year, that student would be required to include parental data on the need analysis form unless the student is: a) an orphan or ward of the court, or both of the student's parents are deceased; b) married; c) single, but has dependent children of his or her own; or d) a Veteran of the Armed Services of the United States. Undergraduate students who are twenty-three (23) years of age or older prior to July 1 of a given award year would not have to include parental data.

In addition, graduate or professional students would not be required to include parental information on their need analysis forms unless required to do so by the institution they are attending.

In addition, the committee has proposed that the institutional financial aid administrator may exercise his or her professional judgement to make exceptions in those cases where the aid administrator has knowledge that should be taken into consideration in overriding any of the requirements for the students to submit parental data.

10. Efforts should be made to relate college work-study to the student's academic field of interest whenever possible.

11. The computation of expected family contribution for student aid eligibility should realistically take into account the individual or family financial burdens which would prevent some prospective students from entering postsecondary institutions.

12. The commuter allowance under the Pell Grant program should be increased to reflect actual costs.

13. Student aid and assistance programs should be modified and expanded to serve nontraditional students.

14. Draft registration should not be used as a criterion for student aid eligibility.

15. Graduate and professional education should be enhanced through support and development of grant and fellowship programs for these students. A broad needs-based grant program for graduate students should be created.

16. The definition of the independent student should not be further restricted. Students who were not declared dependent for income tax purposes by their parents in the previous year should be considered independent.

ILLINOIS STATE SCHOLARSHIP COMMISSION
106 Wilmot Road Deerfield, Illinois 60015 312:948-8500
SCHOLARSHIPS GRANTS LOANS SECONDARY MARKET (IDAPP)

August 6, 1985

The Honorable William D. Ford
Chairman, Subcommittee on Postsecondary Education
U. S. House of Representatives
239 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Ford:

I am writing to clarify the position of the Illinois State Scholarship Commission on the issue of definition of independent student, as contained in our testimony of August 1, 1985, and to address certain concerns you raised at that time.

In our testimony, we recommended that the current definition be retained and that all unmarried non-veterans under the age of 22 without dependents of their own be prohibited via an "edit check" from changing their dependency status after they have made an initial application. You expressed some concern over the inability of the child of an unemployed factory worker, for example, to become emancipated from his parents.

The current aid application system already addresses this type of problem in an effective manner, and we do not propose any change. Normally, the expected family contribution (EFC) for a dependent student would be calculated utilizing the parents' prior year's earnings. However, if a family's financial situation changes for the worse due to 1) death, 2) separation or divorce, or 3) loss of a job or benefits, the student may fill out the Special Condition Application for Federal Student Aid (see attached). This will result in the EFC being calculated from the parents' current year's earnings. In the case of a significant loss of earnings, this will result in a sharply reduced EFC. Often, the student will be better off under such treatment than they would be if classified as an independent.

This procedure was a major factor in our decision to piggyback the Pell Grant central processing system. It has allowed us to eliminate the vast majority of our manual appeals, while still remaining sensitive to the special problems of our clients.

We, too, share your concern that the system be responsive to the unique needs of these individuals. However, the best way to deal with these students is not to classify them as independents. These individuals often remain dependent - living at home, being taken as a valued exemption on their parents' tax return - but they are dependent on a family with significantly diminished means.

Again, we wholeheartedly agree that major changes in a family's economic circumstances must be dealt with fairly. However, the best way to do this is by reducing or, in extreme cases, eliminating the parental contribution, and not by making a dependent student independent. No proposed system will be perfect, but our recommendation goes a long way toward reducing the cost to the federal government of error and abuse, while providing the same protection to the victims of economic hardship that the current system provides.

We thank you again for allowing us the opportunity to join you in your attempts to improve our financial aid needs analysis and delivery system. We hope this letter clarifies our position. If you or your staff should have any further questions, please feel free to call me at (312) 948-8500.

Sincerely,

Thomas A. Breyer

Thomas A. Breyer
Manager, Special Student Aid Projects

TAB:cb

Enc.

Special Condition

Application for Federal Student Aid

1985-1986 School Year

This form is not for everyone.
Read this page to see if it may be the right form for you.

This booklet contains a Special Condition Application that you can use to apply for Federal student aid for the 1985-86 school year (July 1, 1985 - June 30, 1986) **if** your family's financial situation has recently changed for the worse because of:

- death,

or
- separation or divorce,

or
- loss of a job or benefits.

(You may **need to fill out this Special Condition Application even if you have already applied for Federal student aid.**) If your family's financial situation has changed for the worse for one of these reasons, you **may** meet one of the "Special Conditions" that will allow you to use this form. But the special conditions are very specific. To find out for sure, you must **read the instructions** and **start filling out the form**.

Some of the special conditions depend on situations that your parents may be in; some of them depend on situations that you or your spouse may be in. The information on pages 7 and 8 explains all of the conditions, but to find out if one of them applies to you, you will have to answer the questions in Sections A and B of the form. If you find out after answering the questions in Sections A and B that you don't meet one of the special conditions, you can stop there.

If you find out that this is not the right form for you, fill out an application for Federal student aid—if you haven't already done so. Contact your high school counselor or a college financial aid office to see which form you need to fill out.

INFORMATION ON THE PRIVACY ACT AND USE OF YOUR SOCIAL SECURITY NUMBER

The Privacy Act of 1974 says that each Federal agency that asks for your social security number or other information must tell you the following:

1. its legal right to ask for the information and whether the law says you must give it;
2. what purpose the agency has in asking for it and how it will be used;
3. what could happen if you do not give it.

Our legal right to require that you provide us with your social security number for the Pell Grant and Guaranteed Student Loan programs is based on Section 7 (a) (2) of the Privacy Act of 1974.

You must give us your social security number to apply for a Pell Grant or a Guaranteed Student Loan. We need the number on this form to be sure we know who you are, to process your application, and to keep track of your record. We also use your social security number in the Pell Grant Program in recording information about your college attendance and progress, in making payments to you directly in case your college does not handle this, and in making sure that you have received your money. If you do not give us your social security number, you will not get a Pell Grant or a Guaranteed Student Loan.

We also ask you to voluntarily give us your social security number if you are using this form only to apply for financial aid under the College Work-Study, National Direct Student Loan, and Supplemental Educational Opportunity Grant programs. We use your social security number in processing your application. If you do not give us your social security number, you may still recieve financial aid under these three programs.

Our legal right to ask for all information except your social security number is based on sections of the law that authorizes the Pell Grant, Supplemental Educational Opportunity Grant, College Work-Study, National Direct Student Loan, and Guaranteed Student Loan programs. These sections include sections 411, 413B, 443, 464, 425, 428, and 482 of the Higher Education Act of 1965, as amended.

If you are applying for Federal student aid under all five programs, you must fill in everything on the application form except questions 10, 41, and 42. But if you are not applying for a Pell Grant or a Supplemental Educational Opportunity Grant, you can also skip question 8. If you are not applying for a Pell Grant or a Guaranteed Student Loan, you can skip questions 31a, 31b, and 31c (as well as questions 10, 41, and 42). Finally, if you are only applying for a Pell Grant, you can skip questions 10, 16, 17, and 19b as well as questions 41 and 42. If you skip question 42, we will count your answer as "No" for that question.

We ask for the information on the form so that we can figure your "student aid index" and "expected family contribution." The student aid index is used to help figure out how much of a Pell Grant you will get, if any. The student aid index or the expected family contribution may also be used to figure out how much other Federal financial aid you will get, if any. While you are not required to respond, no Pell Grant may be awarded unless this information is provided and filed as required under 20 U.S.C. 1070a; 34 CFR 690.11.

We will send your name, address, social security number, date of birth, student aid indices, student status, year in college, and State of legal residence to the college you list in question 41 even if you check "No" in question 42. This information will also go to the State scholarship agency in your State of legal residence to help them coordinate State financial aid programs with Federal student aid programs. Also, we may send information to members of Congress if you or your parents ask them to help you with Federal student aid questions. We may also use the information for any purpose which is a "routine use" listed in Appendix B of 34 CFR 5b.

What Can I Apply For With This Application?

If you meet one of the "special conditions," you can use the form in this booklet in the same way that you would use the regular Application for Federal Student Aid (AFSA)—as the first step in applying for financial aid from five student assistance programs offered by the U.S. Department of Education. The five programs that you can apply for with this form can help you pay for most kinds of education after high school, whether you are attending a professional school, a vocational or technical school, or college. This application is for Federal financial aid for the 1985-1986 school year (July 1, 1985—June 30, 1986).

The information on this page will answer some of your questions about these five programs. The instructions in this booklet will tell you what information you have to provide on the form. If you have any questions after you have read the instructions, talk to your high school counselor or the financial aid administrator at the school you want to attend.

What Are The Five Federal Financial Aid Programs?

- **Pell Grants**

Pell Grants are awarded to students who need money to pay for their education or training after high school. A Pell Grant is not a loan, so you don't have to pay it back. To get a Pell Grant, you must be an **undergraduate** who does not already have a Bachelor's degree. You must also go to school at least half-time.

- **Supplemental Educational Opportunity Grants (SEOG)**

SEOG's are also grants; you don't have to pay them back. To get an SEOG, you must be an **undergraduate** who does not already have a Bachelor's degree. Usually you must be going to school at least half-time. However, some schools award SEOG's to a few students who are less than half-time.

- **College Work-Study (CW-S)**

CW-S jobs let you earn money to put toward your school expenses. These jobs are for both **undergraduate** and **graduate** students. Usually you must be going to school at least half-time. However, some schools award a few CW-S jobs to students who are less than half-time.

- **National Direct Student Loans (NDSL)**

NDSL's are low interest loans made through your school's financial aid office. You must repay this money. These loans are for both **undergraduate** and **graduate** students who are going to school at least half-time.

- **Guaranteed Student Loans (GSL)**

GSL's are low interest loans made to you by a lender such as a bank, credit union, or savings and loan association. You must repay this money. These loans are for both **undergraduate** and **graduate** students who are going to school at least half-time.

Who Can Get Aid From These Federal Financial Aid Programs?

To receive financial aid from these programs, you must:

- be a U.S. citizen or an eligible noncitizen
- be registered for the draft with Selective Service if you are a man who is at least 18 years old and born after December 31, 1959 and who is not a current member of the active armed forces
- have financial need. The U.S. Department of Education and your school will use the information you put on this form to determine your need.
- attend a school that takes part in one or more of the programs
- be enrolled at least half-time (except for CW-S and SEOG)
- be working toward a degree or certificate (except for GSL)
- be making satisfactory academic progress (as defined by your school)

Do All Schools Take Part In These Five Federal Financial Aid Programs?

No. But more than 6,500 colleges, universities, hospital schools of nursing, vocational, and technical schools take part in one or more of them. Contact your school's financial aid administrator to find out which Federal programs your school participates in.

Where Can I Get More Information On Federal Financial Aid?

This booklet gives you only a brief summary of the five financial aid programs offered by the U.S. Department of Education. Each financial aid program has its own special features and procedures. In addition to the information you can get from your high school counselor or your school's financial aid administrator, you can also find out what each program offers and how it operates by reading the booklet **The Student Guide: Five Federal Financial Aid Programs, 1985-86.**

To get a free copy, write to:

Federal Student Aid Programs
Department DEA-86
Pueblo, CO 81009

What Happens After I Mail In This Form?

Within four to six weeks after you mail in this form, the U.S. Department of Education will send you a **Student Aid Report** (SAR). On the SAR will be a request for further information or a number called a Student Aid Index (SAI). We use a formula established by law to figure this number from the information you give us on the application or the SAR. Your school or the U.S. Department of Education may ask you to prove that the information you give on this application is true.

What Is My Student Aid Index (SAI)?

The SAI is a number that tells whether you may be able to get a Pell Grant. If you can get a Pell Grant, the financial aid administrator at your school will use this number to determine the amount of your award. Even if you don't qualify for a Pell Grant, you may still qualify for one or more of the other four programs. Be sure to ask your financial aid administrator if your school needs any additional information from you for these other four programs.

What Happens If I Don't Get An SAR Or I Need Another Copy Of My SAR?

If you don't get an SAR within four to six weeks, or you need another copy of your SAR, write to:

Federal Student Aid Programs
P.O. Box 4153
Iowa City, IA 52244

Give your name, address, social security number, and date of birth. Be sure to ask for another copy of your **1985-86 SAR.** If your address has changed since you sent in your application, be sure to give us both your old and your new address. Be sure to sign your letter.

DEADLINE: May 1, 1986

We must **receive** your form by May 1, 1986. However, you should apply as early as possible, because mailing in your form is only the first step in applying for Federal student aid. Schools often have **earlier deadlines** that you will have to meet.

NOTE:
If you are applying for Federal Student Aid under all five programs, you do not have to answer questions 10, 41 and 42.

If you are only applying for a Supplemental Educational Opportunity Grant, you do not have to answer questions 10, 31a, 31b, 31c, 41 and 42.

If you are only applying for a Guaranteed Student Loan, you do not have to answer questions 8, 10, 41 and 42.

If you are only applying for a Pell Grant, you do not have to answer questions 10, 16, 17, 19b, 41 and 42.

If you do not answer question 42, we will count your answer as "No."

WARNING
You are allowed to estimate your expected 1985 family income on this form. If you have questions about how to estimate your income, contact your financial aid administrator for help. Please note that you may be asked at the end of the year to prove that this expected 1985 income information is true. If you get Federal student aid by giving incorrect information, you will have to pay it back.

Also, you should know that if you purposely give false or misleading information on this form, you may get a $10,000 fine, a prison sentence, or both.

INSTRUCTIONS

Read the instructions as you fill out this form. Most mistakes result from not reading the instructions. **Mistakes will delay the processing of your application.**

The instructions for this form will usually answer questions that you have. If you need more help, contact a guidance counselor at your high school or the financial aid administrator at the college you plan to attend.

Although other people (besides the student who is applying for aid) may help fill out this form, it is about the student. When we use the words "you" and "your," we always mean the student. When we use the word "college," we mean a college, university, graduate or professional, vocational or technical school, or any other school beyond high school.

Records You Will Need

Get together these records for yourself and your family:

- 1984 U.S. income tax return (IRS Form 1040, 1040A, or 1040EZ)
- 1984 State and local income tax returns
- W-2 Forms and other records of money earned in 1984
- Records of untaxed income, such as welfare, social security, AFDC or ADC, or veterans benefits
- Current bank statements
- Current mortgage information
- Records of medical or dental bills that were paid in 1984
- Business and farm records
- Records of stocks, bonds, and other investments

Keep these records. Your school may ask to see them, to check the information you reported on your application.

Information for 1984. This form asks a few questions about the income that you (or your parents) received in 1984. If you (or your parents) filled out a 1984 U.S. income tax return (Form 1040, 1040A, or 1040EZ), you must copy some information directly from the tax return.* Even if you (or your parents) don't file tax returns, you will need to tell us how much income, if any, you (or your parents) earned in 1984.

Expected amounts. This form will also ask you about expected income and expenses for 1985. This will include any income and expenses that you (or your parents) have had from January 1, 1985 until now, and any that you (or your parents) expect to have from now until December 31, 1985. The instructions will tell you how to figure these expected amounts.

Note: Don't report funds that you or your parents received as an award under the Distribution of Judgement Funds Act, the Alaska Native Claims Settlement Act, or the Maine Indians Claims Settlement Act as income or assets. Don't report property as an asset if: (a) it may not be sold or have loans placed against it without the consent of the Secretary of Interior, or (b) the property is held in trust for you or your family by the U.S. government.

When You Fill Out This Form

- Use a pen with black or dark ink; don't use a pencil.
- Print carefully, so that your form will be easy to read.
- Round off figures to the nearest dollar.

This booklet contains **two** copies of the form. Use one copy as a worksheet, and then be sure to keep it and this booklet for your own records. Your school may ask to see your copy of the form or the worksheets in the booklet to make sure you are getting the right amount of aid.

Section A Student's Information

Write in this section information about the student who is applying for aid.

1. Write in your last name, first name, and middle initial. Print carefully.

2. Write in the address where you normally will be receiving mail. All mail will be sent to this address. Don't use the address of the financial aid office or any other office at a school.

3. Write in your social security number.

4. Write in your birth date. For example, if you were born on July 5, 1965, you would write in:

07 - 05 - 65
Month Day Year

5. Write in the two-letter abbreviation for your State of legal residence. Use the State abbreviation list below.

State Abbreviations

AL	Alabama
AK	Alaska
AS	American Samoa
AZ	Arizona
AR	Arkansas
CA	California
CO	Colorado
CM	Government of the Northern Mariana Islands
CN	Canada
CT	Connecticut
DE	Delaware
DC	District of Columbia
FL	Florida
GA	Georgia
GU	Guam
HI	Hawaii
ID	Idaho
IL	Illinois
IN	Indiana
IA	Iowa
KS	Kansas
KY	Kentucky
LA	Louisiana
ME	Maine
MD	Maryland
MA	Massachusetts
MI	Michigan
MN	Minnesota
MS	Mississippi
MO	Missouri
MT	Montana
MX	Mexico
NE	Nebraska
NV	Nevada
NH	New Hampshire
NJ	New Jersey
NM	New Mexico
NY	New York
NC	North Carolina
ND	North Dakota
OH	Ohio
OK	Oklahoma
OR	Oregon
PA	Pennsylvania
PR	Puerto Rico
RI	Rhode Island
SC	South Carolina
SD	South Dakota
TN	Tennessee
TX	Texas
TT	Trust Territory (Marshall Islands & Caroline Islands)
UT	Utah
VT	Vermont
VI	Virgin Islands
VA	Virginia
WA	Washington
WV	West Virginia
WI	Wisconsin
WY	Wyoming

If your place of residence is not included above, leave the State abbreviation blank and write the name of your city and territory or country in the space for city.

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*If you or your parents filed a 1984 income tax return with a central government outside the United States, use the information from that tax return to fill out this form. Convert all figures to U.S. dollars.

6. If you are a U.S. citizen as of the date you complete this application, check box (a) and go on to question 7. Check box (b) if you are one of the following:

- U.S. national
- U.S. permanent resident, and you have an Alien Registration Receipt Card (I-151 or I-551)
- Permanent resident of the Northern Mariana Islands
- Permanent resident of the Trust Territory of the Pacific Islands
- Other eligible non-citizen with a Departure Record (I-94) from the U.S. Immigration and Naturalization Service showing any one of the following designations:
  (1) "Refugee"
  (2) "Asylum Granted"
  (3) "Indefinite Parole" and/or "Humanitarian Parole"
  (4) "Cuban-Haitian Entrant"

If you cannot check box (a) or (b), you **must** check box (c). If you are in the U.S. on only an F1 or F2 student visa, only a J1 or J2 exchange visitor visa, or only a G series visa (pertaining to international organizations), you must check box (c).

7. Check your year in college from July 1, 1985 to June 30, 1986. Check only one box. A "graduate or professional" program is usually a program you begin after you graduate from college.

8. Check "No" if you do not have a Bachelor's degree and you will not have one by July 1, 1985.

Check "Yes" if you already have a Bachelor's degree or will have one by July 1, 1985. Check "Yes" if you will have a degree from a university in another country that is equal to a Bachelor's degree.

9. Check the box for your marital status as of the date you complete this application.

10. Write in the number of dependent children you have. If you have no dependent children, write in "0."

11. Check "Yes" if your spouse will be attending college at least half-time during 1985-86. Check "No" if your spouse will not be attending college at least half-time or if your spouse is uncertain about attending college in 1985-86. Also check "No" if you are not married.

Section B Student's Status

When we say "parents" in Section B of the form, we mean your mother and/or father, or your adoptive parents. In some cases, we mean a legal guardian who has been appointed by a court. We **don't** mean foster parents and, for this section, we don't mean stepparents. (But later in the instructions, we will tell you if information about your stepparents is required.)

Before you answer questions 12, 13, and 14, read the descriptions below and check the box next to the one that is true for you.

☐ **Your parents are both living and married to each other.** Answer the questions in Section B about them.

☐ **Your parents are divorced or separated.** Answer the questions in Section B about the parent you lived with most in the last 12 months. For example, if you lived with your mother most, answer questions 12, 13, and 14 about her, and not about your father.

If you didn't live with either parent, or you lived with each parent an equal number of days, answer the questions in Section B about the parent who provided the greater amount of support to you in the last 12 months. However, if you didn't get support from either parent, or if each parent provided you with an equal amount of support in the last 12 months, answer the questions in Section B about the parent who provided the greater amount of support to you during the most recent calendar year that you actually were supported by a parent. (Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)

☐ **Your parent is widowed or single.** Answer the questions in Section B about your widowed or single parent.

☐ **Your parents are both dead** and you don't have an adoptive parent or a legal guardian. Answer "No" to all questions in Section B, and fill out the gray shaded areas on the rest of this form.

☐ **You have a legal guardian.** Answer the questions in Section B about your legal guardian. This is only a person whom a court has (a) appointed to be your legal guardian and (b) directed to support you with his or her own financial resources. Check this box **only** if your legal guardian fits this definition, and this legal relationship will continue after June 30, 1986.

☐ **You are a ward of the court.** Answer "No" to all questions in Section B, and fill out the gray shaded areas on the rest of this form.

Now answer questions 12, 13, and 14, based on which box you checked. Answer all three questions for both 1984 and 1985. If you leave **any** answer blank, we will count it as "Yes."

12. If you lived with your parents for more than six weeks (a total of 42 days) in 1984 or you will in 1985, you must answer "Yes." You must answer "Yes" even if you pay your parents for room and board.

13. If your parents claimed you on their U.S. income tax return for 1984, or if they will claim you for 1985, you must answer "Yes."

14. If your parents gave you more than $750 worth of support in 1984, or if they will do so in 1985, you must answer "Yes." (Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)

Important Instructions for Determining Your Special Condition, and for Sections C, D, & E

If you are **married** as of the date you complete this form, you are **married** for the purpose of deciding which areas of the form you must fill out.

Unmarried students. (Single, separated, divorced, or widowed)

> If you answered "Yes" to **any** of the questions in Section B, you **must** fill out the **red** shaded areas on the form with information about your **parents**. Start by reading the "Special Condition" instructions on pages 7 and 8. Follow the instructions under "Special Condition for Parents" to find out if you meet one of the conditions. In Section C, answer questions 15-19. In Section D, give financial information about your **parents** for questions 22-30, but be sure to answer questions 31 and 32 about yourself. In Section E, give financial information about your parents. Don't fill out the gray shaded areas.
>
> If you answered "No" to **all six** questions in Section B, you **must** fill out the **gray** shaded areas on the form with information about **yourself**. Start by reading the "Special Condition" instructions on page 8. Follow the instructions under "Special Condition for the Student (& Spouse)" to find out if you meet one of the conditions. In Section C, answer questions 20 and 21. In Section D, give financial information about **yourself**, but don't answer questions 31 and 32. In Section E, give financial information about yourself. Don't fill out the red shaded areas.

Married students.

> If you answered "Yes" to **any** of the questions in Section B for the year 1985, you **must** fill out the **red** shaded areas on the form with information about your **parents**. Start by reading the "Special Condition" instructions on pages 7 and 8. Follow the instructions under "Special Condition for Parents" to find out if you meet one of the conditions. In Section C, answer questions 15-19. In Section D, give financial information about your **parents** for questions 22-30, but be sure to answer questions 31 and 32 about **yourself** and your spouse even if you were not married in 1984. In Section E, give financial information about your parents. Don't fill out the gray shaded areas.
>
> If you answered "No" to **all three** questions in Section B for the year 1985, you **must** fill out the **gray** shaded areas on the form with information about **yourself** and **your spouse**, even if you were not married in 1984. Start by reading the "Special Condition" instructions on page 8. Follow the instructions under "Special Condition for the Student (& Spouse)" to find out if you meet one of the conditions. In Section C, answer questions 20 and 21. In Section D, give financial information about **yourself** and **your spouse**. Don't answer questions 31 and 32. In Section E, give financial information about yourself and your spouse. Don't fill out the red shaded areas.

Special Condition

If none of these conditions applies to you, then you have the wrong form. Instead, fill out an Application for Federal Student Aid (AFSA), or one of the other approved forms, if you haven't already done so.

Special Condition for Parents—Read this section if you are filling out the **red** shaded areas of the form with information about your parents.

Read the following conditions carefully. If one of them applies to you, follow the instruction for that condition. Leave the other conditions blank.

A. Does not apply.

B. A parent who earned money in 1984 has lost his or her job for at least 10 weeks in 1985.

After "B" in the red shaded area of the form, write in only the number of weeks in 1985 that the parent has already been out of work. This must be at least 10 weeks.

C. A parent who earned money in 1984 has not been able (for at least 10 weeks in 1985) to earn money in his or her usual way. This must be the result of either a disability or a natural disaster that happened in 1984 or 1985.

After "C" in the red shaded area of the form, write in only the number of weeks so far in 1985 that the parent has been unable to earn money in the usual way. This must be at least 10 weeks.

D. A parent who received unemployment compensation or some other type of untaxed income or benefit in 1984 has completely lost that income or benefit for at least 10 weeks in 1985. The untaxed income or benefit must be from a public or private agency, from a company, or from a person because of a court order. (Don't include loss of veterans educational benefits.) Untaxed income and benefits include things like:

- Social security benefits (including Supplemental Security Income)
- Court-ordered child support
- Untaxed retirement or disability benefits
- Welfare benefits
- Aid to Families with Dependent Children (AFDC or ADC)

After "D" in the red shaded area of the form, write in only the number of weeks so far in 1985 that the parent has not received the income or benefit. This must be at least 10 weeks.

E. You have already applied for Federal student aid and, since that time, your parents have gotten separated or divorced.

After "E" in the red shaded area of the form, write in the date they got separated or divorced.

F. You have already applied for Federal student aid and, since that time, a parent has died.

After "F" in the red shaded area of the form, write in the date that parent died.

If one of these conditions applies to you and you have filled in the date or time period on the form, continue by reading all the instructions under "Parents' Information" and filling out the red shaded areas on the form. Answer questions 15-19 and then give your parents' income and expense information. Don't fill out the gray shaded areas.

Special Condition for the Student (& Spouse)— Read this section if you are filling out the **gray** shaded areas of the form with information about yourself (and, if you are married, about your spouse).

Read the following conditions carefully. If one of them applies to you, follow the instruction for that condition. Leave the other conditions blank.

A. You worked full-time (at least 35 hours a week) for at least 30 weeks in 1984, but you are not working full-time now.

After "A" in the gray shaded area of the form, write in the number of weeks in 1984 that you worked full-time and the number of hours per week that you worked during this time. **Give information only about yourself, not about your spouse.**

B. Your spouse, who earned money in 1984, has lost his or her job for at least 10 weeks in 1985.

After "B" in the gray shaded area of the form, give only the number of weeks in 1985 that your spouse already has been out of work. This must be at least 10 weeks. **Don't give information about yourself here.**

C. You (or your spouse) earned money in 1984, but have been unable (for at least 10 weeks in 1985) to earn money in the usual way. This must be the result of either a disability or a natural disaster that happened in 1984 or 1985.

After "C" in the gray shaded area of the form, write in only the number of weeks so far in 1985 that you (or your spouse) have been unable to earn money in the usual way. This must be at least 10 weeks.

D. You (or your spouse) received unemployment compensation or some other type of untaxed income or benefit in 1984, but have completely lost that income or benefit for at least 10 weeks in 1985. The untaxed income or benefit must be from a public or private agency, from a company, or from a person because of a court order. (Don't include loss of veterans educational benefits.) Untaxed income and benefits include things like:

- Social security benefits (including Supplemental Security Income)
- Court-ordered child support
- Untaxed retirement or disability benefits
- Welfare benefits
- Aid to Families with Dependent Children (AFDC or ADC)

After "D" in the gray shaded area of the form, write in only the number of weeks so far in 1985 that you (or your spouse) have not received the income or benefit. This must be at least 10 weeks.

E. You have already applied for Federal student aid and, since that time, you and your spouse have gotten separated or divorced.

After "E" in the gray shaded area of the form, write in the date you got separated or divorced.

F. You have already applied for Federal student aid and one of these two things has happened:

- Since the time you sent in your original application, your spouse has died.

FORM APPROVED
OMB NO 1840-0111
APP EXP 6/30/86

Office of Student
Financial Assistance

Special Condition

Application for Federal Student Aid

School Year 1985-86

WARNING: If you purposely give false or misleading information on this application form, you may get a $10,000 fine, a prison sentence, or both

Section A Student's Information

1. **Student's Name** Last First M.I.

2. **Student's permanent mailing address** (See page 5 for State abbreviation.) Mail will be sent to this address. Number and Street (Include Apt. No.) City State Zip Code

3. **Student's social security number** ___ - ___ - ___

4. **Student's date of birth** Month - Day - Year

5. **Student's State of legal residence** State

6. **The student is** (a) ☐ a U.S. citizen
(b) ☐ an eligible non-citizen (See instructions.)
(c) ☐ neither of the above (See instructions.)

7. **Student's expected year in college during 1985-1986** (Check only one box)
☐ 1st (freshman)
☐ 2nd (sophomore)
☐ 3rd (junior)
☐ 4th (senior)
☐ 5th (undergraduate)
☐ First-year graduate or professional (beyond a Bachelor's degree)
☐ Continuing graduate or professional

8. **Will the student have a first Bachelor's degree by July 1, 1985?**
☐ Yes
☐ No

9. **The student is** ☐ unmarried (single, divorced, widowed)
☐ married
☐ separated

10. **How many dependent children does the student have?** (If none, write in "0.")

11. **Will the student's spouse be attending college at least half-time during 1985-86?**
☐ Yes
☐ No

Section B Student's Status

Read the instructions on page 6 to find out who counts as the student's parent before you answer 12, 13, and 14. If you leave any answer blank, it will be counted as "Yes."

		Yes	No		Yes	No
12. **Did or will the student live with the parents for more than six weeks** (42 days)	in 1984?	☐	☐	in 1985?	☐	☐
13. **Did or will the parents claim the student as a U.S. income tax exemption**	in 1984?	☐	☐	in 1985?	☐	☐
14. **Did or will the student get more than $750 worth of support from the parents**	in 1984?	☐	☐	in 1985?	☐	☐

Unmarried Students (Single, separated, divorced, or widowed)

If you answered "Yes" to any of the questions in Section B, you must fill out the RED shaded areas.

If you answered "No" to all 6 questions in Section B you must fill out the GRAY shaded areas.

Married Students

If you answered "Yes" to any of the questions in Section B for the year 1985, you must fill out the RED shaded areas.

If you answered "No" to the 3 questions in Section B for the year 1985, you must fill out the GRAY shaded areas.

Special Condition

You must read the instructions on pages 7 and 8 for this section. If none of the conditions apply to you, then you have the wrong form.

Fill out an Application for Federal Student Aid (AFSA) instead.

	PARENTS	STUDENT (& SPOUSE)
A.	Does not apply	Weeks/ Hours per week
B.	Weeks in 1985	Weeks in 1985
C.	Weeks in 1985	Weeks in 1985
D.	Weeks in 1985	Weeks in 1985
E.	Month Day Year	Month Day Year
F.	Month Day Year	Month Day Year

Section C Household Information

PARENTS

NOTE: If your parents are separated or divorced, if the parent is widowed or single, or if you have a stepparent, you must read the instructions on page 13 before going on.

15. **The parents' current marital status is**
☐ single
☐ married
☐ divorced
☐ separated
☐ widowed

16. **The parents' State of legal residence is**

17. **The age of the older parent is**

18. **The total size of the parents' household during 1985-86 will be**
Include the student even if he/she does not live at home.
Include parents and parents' other dependent children.
Include other people only if they meet the definition in the instructions.

19. (a) **Of the number in 18, how many will be in college during 1985-86?**
Include the student who is applying for aid and others who will be in college at least half-time.

(b) **Of the number in 19a, how many of the student's parents will be in college at least half-time during 1985-1986?**

STUDENT (& SPOUSE)

20. **The total size of the student's household during 1985-1986 will be**
Include the student and student's spouse and dependent children.
Include other people only if they meet the definition in the instructions.

21. **Of the number in 20, how many will be in college during 1985-86?**
Include the student who is applying for aid and others who will be in college at least half-time.

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Section D Income and Expense Information

		PARENTS		STUDENT (& Spouse)
22.	1984 income from IRS Form 1040-line 32, 1040A-line 14, or 1040EZ-line 3; or use the worksheet on page 14	22. $ ________ .00	22.	$ ________ .00
23.	1984 income earned from work by	23. a. Father $ ________ .00	23. a. Student	$ ________ .00
		b. Mother $ ________ .00	b. Spouse	$ ________ .00
24.	1984 untaxed income and benefits a. Social security benefits (Don't include any educational benefits.)	24. a. $ ________ .00	24. a.	$ ________ .00
	b. Aid to Families with Dependent Children (AFDC or ADC)	b. $ ________ .00	b.	$ ________ .00
	c. Other 1984 untaxed income and benefits from worksheet on page 15	c. $ ________ .00	c.	$ ________ .00
25.	Expected 1985 income to be reported on IRS Form 1040, 1040A, or 1040EZ (You must use the worksheet on page 16.)	25. $ ________ .00	25.	$ ________ .00
26.	Expected 1985 income earned from work by	26. a. Father $ ________ .00	26. a. Student	$ ________ .00
		b. Mother $ ________ .00	b. Spouse	$ ________ .00
27.	Expected 1985 payments to an IRA and/or Keogh	27. $ ________ .00	27.	XXXXXXXXX
28.	Expected 1985 untaxed income and benefits a. Social security benefits (Don't include any educational benefits.)	28. a. $ ________ .00	28. a.	$ ________ .00
	b. Aid to Families with Dependent Children (AFDC or ADC)	b. $ ________ .00	b.	$ ________ .00
	c. Other 1985 untaxed income and benefits from worksheet on page 17	c. $ ________ .00	c.	$ ________ .00
29.	Expected 1985 medical and dental expenses not paid by insurance	29. $ ________ .00	29.	$ ________ .00
30.	Expected 1985 elementary, junior high, and high school tuition paid (Don't include any tuition paid for the applicant.)	30. $ ________ .00	30.	$ ________ .00

If you are filling out the RED shaded areas, answer 31 and 32 about the student (& spouse). Don't include any student financial aid.

31.	a. Student's (& spouse's) 1984 income from IRS Form 1040-line 32, 1040A-line 14, 1040EZ-line 3, or see instructions	31. a.	$ ________ .00
	b. Student's (& spouse's) 1984 income taxes paid (IRS Form 1040-line 47, 1040A-line 20, 1040EZ-line 8)	31. b.	$ ________ .00
	c. Student's (& spouse's) 1984 untaxed income and benefits (See instructions.)	31. c.	$ ________ .00
32.	Student's (& spouse's) savings and net assets (See instructions.)	32.	$ ________ .00

If you are filling out the grey shaded areas skip to Section E.

Don't answer 31a, 31b, 31c, and 32.

Section E Asset Information

		PARENTS			STUDENT (& SPOUSE)	
		What is it worth now?	What is owed on it?		What is it worth now?	What is owed on it?
33.	Cash, savings, and checking accounts	$ ________ .00	XXXXXXXXX	33	$ ________ .00	XXXXXXXXX
34.	Home (Renters write in "0".)	$ ________ .00	$ ________ .00	34	$ ________ .00	$ ________ .00
35.	Other real estate and investments	$ ________ .00	$ ________ .00	35	$ ________ .00	$ ________ .00
36.	Business and farm	$ ________ .00	$ ________ .00	36	$ ________ .00	$ ________ .00

All students must fill out Sections F & G.

Section F Student's (& Spouse's) Expected Income and Benefits

		Summer 1985	School Year 1985-86
37.	a. **Student's taxable income** (Don't include student financial aid.)	3 months $ ________ .00	9 months $ ________ .00
	b. **Spouse's taxable income** (Don't include student financial aid.)	3 months $ ________ .00	9 months $ ________ .00

July 1, 1985—June 30, 1986

38. **Student's Veterans GI Bill and Dependents Educational Assistance Benefits** Amount per month $ ________ .00 Number of months ☐☐

39. **Student's Veterans Contributory Benefits (VEAP)** Amount per month $ ________ .00 Number of months ☐☐

40. **Other untaxed income and benefits of student and spouse** (Don't include any of the income or benefits given in 37, 38, & 39 or student financial aid.) July 1, 1985—June 30, 1986 $ ________ .00

Section G College, Release, and Certification

41. **Student's college for 1985-86 school year**

____

Name of College

________________________ ☐☐

City State

Dept. of Ed. Use Only
Do not write in this box

☐☐☐☐☐

☐☐☐☐☐

42. **Do you give the U.S. Department of Education permission to send family and financial information from this application to:**

a. the financial aid agency in your State? Yes ☐ No ☐

b. the college listed in 41? Yes ☐ No ☐

NOTE: You may have to fill out an additional form to get aid from your college or State. (See instructions.)

43. **Certification:** All of the information on this form is true and complete to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form. I realize that this proof may include a copy of my 1984-85 U.S., State, or local income tax returns. I also realize that if I do not give proof when asked, the student may not get aid.

SIGN:

________________________ ________________________

Student Student's Spouse

________________________ ________________________

Father Mother

Date completed ☐☐ ☐☐ ☐☐
month day year

Mail this form to:

Federal Student Aid Programs, P.O. Box 4151, Iowa City, Iowa 52244

FORM APPROVED
OMB NO. [illegible]
APP. EXP. 6-30-86

Office of Student
Financial Assistance

Special Condition

Application for Federal Student Aid

School Year 1985-86

WARNING: If you purposely give false or misleading information on this application form, you may get a $10,000 fine, a prison sentence, or both.

Section A Student's information

1. Student's Name ____ Last ____ First ____ M.I.
2. Student's permanent mailing address (See page 5 for State abbreviation. Mail will be sent to this address.) ____ Number and Street (include Apt. No.) ____ City ____ State ____ Zip Code
3. Student's social security number ____ - ____ - ____
4. Student's date of birth ____ Month ____ Day ____ Year
5. Student's State of legal residence ____ State
6. The student is (a) ☐ a U.S. citizen
   (b) ☐ an eligible non-citizen (See instructions.)
   (c) ☐ neither of the above (See instructions.)
7. Student's expected year in college during 1985-1986 (Check only one box)
   - ☐ 1st (freshman)
   - ☐ 2nd (sophomore)
   - ☐ 3rd (junior)
   - ☐ 4th (senior)
   - ☐ 5th (undergraduate)
   - ☐ First-year graduate or professional (beyond a Bachelor's degree)
   - ☐ Continuing graduate or professional
8. Will the student have a first Bachelor's degree by July 1, 1985?
   ☐ Yes
   ☐ No
9. The student is: ☐ unmarried (single, divorced, widowed)
   ☐ married
   ☐ separated
10. How many dependent children does the student have? ____ (If none, write in "0".)
11. Will the student's spouse be attending college at least half-time during 1985-86?
    ☐ Yes
    ☐ No

Section B Student's Status

Read the instructions on page 6 to find out who counts as the student's parent before you answer 12, 13, and 14. If you leave any answer blank, it will be counted as "Yes."

		Yes	No		Yes	No
12. Did or will the student live with the parents for more than six weeks (42 days)	in 1984?	☐	☐	in 1985?	☐	☐
13. Did or will the parents claim the student as a U.S. income tax exemption	in 1984?	☐	☐	in 1985?	☐	☐
14. Did or will the student get more than $750 worth of support from the parents	in 1984?	☐	☐	in 1985?	☐	☐

Unmarried Students (Single, separated, divorced, or widowed)

If you answered "Yes" to any of the questions in Section B, you must fill out the RED shaded areas.

If you answered "No" to all 6 questions in Section B you must fill out the GRAY shaded areas.

Married Students

If you answered "Yes" to any of the questions in Section B for the year 1985, you must fill out the RED shaded areas.

If you answered "No" to the 3 questions in Section B for the year 1985, you must fill out the GRAY shaded areas.

Special Condition

You must read the instructions on pages 7 and 8 for this section. If none of the conditions apply to you, then you have the wrong form.

Fill out an Application for Federal Student Aid (AFSA) instead.

PARENTS	STUDENT (& SPOUSE)
A. Does not apply	A. ____ Weeks ____ Hours per week
B. ____ Weeks in 1985	B. ____ Weeks in 1985
C. ____ Weeks in 1985	C. ____ Weeks in 1985
D. ____ Weeks in 1985	D. ____ Weeks in 1985
E. ____ Month ____ Day ____ Year	E. ____ Month ____ Day ____ Year
F. ____ Month ____ Day ____ Year	F. ____ Month ____ Day ____ Year

Section C Household Information

PARENTS

NOTE: If your parents are separated or divorced, if the parent is widowed or single, or if you have a stepparent, you must read the instructions on page 13 before going on.

15. The parents' current marital status is:
    ☐ single ☐ separated
    ☐ married ☐ widowed
    ☐ divorced
16. The parents' State of legal residence is ____
17. The age of the older parent is ____
18. The total size of the parents' household during 1985-86 will be ____
    Include the student (and spouse) if he/she does not live at home. Include parent(s) and parents' other dependent children. Include other people only if they meet the definition in the instructions.
19. (a) Of the number in 18, how many will be in college during 1985-86? ____
    Include the student who is applying for aid and others who will be in college at least half-time.
    (b) Of the number in 19a, how many of the student's parents will be in college at least half-time during 1985-1986? ____

STUDENT (& SPOUSE)

20. The total size of the student's household during 1985-1986 will be ____
    Include the student and student's spouse and dependent children. Include other people only if they meet the definition in the instructions.
21. Of the number in 20, how many will be in college during 1985-86? ____
    Include the student who is applying for aid and others who will be in college at least half-time.

ED Form 255-2

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Section D Income and Expense Information

		PARENTS		STUDENT (& Spouse)
22. 1984 income from IRS Form 1040-line 32, 1040A-line 14, or 1040EZ-line 3, or use the worksheet on page 14.	22	$ ________ .00	22	$ ________ .00
23. 1984 income earned from work by	23 a. Father	$ ________ .00	23 a. Student	$ ________ .00
	b. Mother	$ ________ .00	b. Spouse	$ ________ .00
24. 1984 untaxed income and benefits a. Social security benefits (Don't include any educational benefits.)	24 a.	$ ________ .00	24 a.	$ ________ .00
b. Aid to Families with Dependent Children (AFDC or ADC)	b.	$ ________ .00	b.	$ ________ .00
c. Other 1984 untaxed income and benefits from worksheet on page 15	c.	$ ________ .00	c.	$ ________ .00
25. Expected 1985 income to be reported on IRS Form 1040, 1040A, or 1040EZ (You must use the worksheet on page 16.)	25	$ ________ .00	25	$ ________ .00
26. Expected 1985 income earned from work by	26 a. Father	$ ________ .00	26 a. Student	$ ________ .00
	b. Mother	$ ________ .00	b. Spouse	$ ________ .00
27. Expected 1985 payments to an IRA and/or Keogh	27	$ ________ .00	27	XXXXXXXXX
28. Expected 1985 untaxed income and benefits a. Social security benefits (Don't include any educational benefits.)	28 a.	$ ________ .00	28 a.	$ ________ .00
b. Aid to Families with Dependent Children (AFDC or ADC)	b.	$ ________ .00	b.	$ ________ .00
c. Other 1985 untaxed income and benefits from worksheet on page 17	c.	$ ________ .00	c.	$ ________ .00
29. Expected 1985 medical and dental expenses not paid by insurance	29	$ ________ .00	29	$ ________ .00
30. Expected 1985 elementary, junior high, and high school tuition paid (Don't include any tuition paid for the applicant.)	30	$ ________ .00	30	$ ________ .00

If you are filling out the RED shaded areas, answer 31 and 32 about the student (& spouse). Don't include any student financial aid.

31. a. Student's (& spouse's) 1984 income from IRS Form 1040-line 32, 1040A-line 14, 1040EZ-line 3, or see instructions	31. a.	$ ________ .00
b. Student's (& spouse's) 1984 income taxes paid (IRS Form 1040-line 49, 1040A-line 22, 1040EZ-line 9)	31. b.	$ ________ .00
c. Student's (& spouse's) 1984 untaxed income and benefits (See instructions.)	31. c.	$ ________ .00
32. Student's (& spouse's) savings and net assets (See instructions.)	32	$ ________ .00

If you are filling out the gray shaded areas skip to Section E.

Don't answer 31a, 31b, 31c, and 32.

Section E Asset Information

	PARENTS			STUDENT (& SPOUSE)	
	What is it worth now?	What is owed on it?		What is it worth now?	What is owed on it?
33. Cash, savings, and checking accounts	$ ________ .00	XXXXXXXXX	33	$ ________ .00	XXXXXXXXX
34. Home (Renters write in "0".)	$ ________ .00	$ ________ .00	34	$ ________ .00	$ ________ .00
35. Other real estate and investments	$ ________ .00	$ ________ .00	35	$ ________ .00	$ ________ .00
36. Business and farm	$ ________ .00	$ ________ .00	36	$ ________ .00	$ ________ .00

All students must fill out Sections F & G.

Section F Student's (& Spouse's) Expected Income and Benefits

	Summer 1985	School Year 1985–86
37. a. Student's taxable income (Don't include student financial aid.)	3 months $ ________ .00	9 months $ ________ .00
b. Spouse's taxable income (Don't include student financial aid.)	3 months $ ________ .00	9 months $ ________ .00

July 1, 1985—June 30, 1986

38. Student's Veterans GI Bill and Dependents Educational Assistance Benefits Amount per month $ ________ .00 Number of months ☐☐

39. Student's Veterans Contributory Benefits (VEAP) Amount per month $ ________ .00 Number of months ☐☐

40. Other untaxed income and benefits of student and spouse (Don't include any of the income or benefits given in 37, 38, & 39 or student financial aid.) July 1, 1985—June 30, 1986 $ ________ .00

Section G College, Release, and Certification

41. Student's college for 1985-86 school year

____
Name of College

________________________ ☐☐
City State

Dept. of Ed.
Use Only
Do not write
in this box
☐☐☐☐☐
☐☐☐☐☐

42. Do you give the U.S. Department of Education permission to send family and financial information from this application to:

a. the financial aid agency in your State? Yes ☐ No ☐
b. the college listed in 41? Yes ☐ No ☐

NOTE: You may have to fill out an additional form to get aid from your college or State. (See instructions.)

43. Certification: All of the information on this form is true and complete to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form. I realize that this proof may include a copy of my 1984/85 U.S., State, or local income tax returns. I also realize that if I do not give proof when asked, the student may not get aid.

SIGN:

________________ ________________
Student Student's Spouse

________________ ________________
Father Mother

Date completed ☐☐ ☐☐ ☐☐
month day year

Mail this form to:

Federal Student Aid Programs, P.O. Box 4151, Iowa City, Iowa 52244

- Since the time you sent in your original application, a parent has died.

After "F" in the gray shaded area of the form, write in the date your spouse or parent died.

If one of these conditions applies to you, and you have filled out the date or time period on the form, continue by reading all the instructions under "Student's (& Spouse's) Information" and filling out the gray shaded areas of the form. Answer questions 20 and 21, and then give your (and your spouse's) income and expense information. Don't fill out the red shaded areas.

Section C Household Information

Parents' information—red shaded areas

Fill out this section with information about your parents.

If your parents are separated or divorced, or if your parent is widowed or single. Give information only about the parent that you counted in Section B. If that parent has married or remarried, read the next paragraph.

If you have a stepparent. If the parent that you counted in Section B has married or remarried, you must also include information about your stepparent (even if they were not married in 1984) if either:

- you lived with your stepparent (and parent) for more than six weeks (a total of 42 days) in 1984 or you will in 1985;

or • you got or will get more than $750 in support from your stepparent in 1984 or 1985.

If you are reporting information about your stepparent, note that whenever we say **"parents"** on the rest of this form, we also mean your **stepparent.**

15. Check the box for your parents' marital status as of the date you complete this application.

Show the current marital status of the people that you give information about on this form. For example, if you must give information about your mother and stepfather, check the box that says "married," because your mother and stepfather are married.

16. Write in the two-letter abbreviation for your parents' State of legal residence as of the date you complete this application. See the list of State abbreviations under the instructions for question 5.

17. Write in the age of your older parent as of the date you complete this application.

18. Write in the number of people that your parents will support between July 1, 1985 and June 30, 1986. Include your parents, yourself, and your parents' other dependent children. If you (the student) have dependent children, also include them. Include other people only if they now live with and get more than half of their support from your parents and will continue to get this support between July 1, 1985 and June 30, 1986. Don't include your (the student's) spouse.

19. a. Write in the number of people from question 18, including yourself, who will be going to college or other schools beyond the high school level between July 1, 1985 and June 30, 1986. To be included here, each student must be enrolled at least half-time. Half-time means the student is taking at least 6 credit hours per term. If the school uses clock hours, the student must be attending at least 12 clock hours per week.

b. Write in the number of your parents who were included in 19(a).

Student's (& spouse's) information—gray shaded areas

Fill out this section with information about yourself (and your spouse). If you are divorced or separated, don't include information about your spouse.

20. Write in the number of people that you (and your spouse) will support between July 1, 1985 and June 30, 1986. Include yourself, your spouse, and your dependent children. Include other people only if they now live with and get more than half of their support from you (and your spouse), and will continue to get this support between July 1, 1985 and June 30, 1986.

21. Write in the number of people from question 20, including yourself, who will be going to college or other schools beyond the high school level between July 1, 1985 and June 30, 1986. To be included here, each student must be enrolled at least half-time. Half-time means the student is taking at least 6 credit hours per term. If the college uses clock hours, the student must be attending at least 12 clock hours per week.

Section D Income and Expense Information

Income and Expense Information for 1984 and 1985

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. **Don't** leave it blank. For example:

$ 0 .00

Fill in the answers in this section using 1984 and 1985 financial records. The kinds of records we mean are: statements of income earned in 1984 and statements of untaxed income received in 1984 (like social security, Aid to Families with Dependent Children [AFDC or ADC], Railroad Retirement Benefits, disability and welfare benefits).

If you are giving information for only one parent, and that parent filed (or will file) a joint tax return for 1984, give only that parent's portion of the income and expenses asked for in questions 22-24.

If you are divorced, separated, or widowed, and you filed (or will file) a joint tax return for 1984, give only your portion of the income and expenses asked for in questions 22-24.

Important: When figuring your income for questions 22, 23, 24, 25, 26, 28, and 31, don't include any earnings from student financial aid programs which are based on financial need. Need-based student aid includes earnings from the College Work-Study Program and earnings from any other work program which you participated in based on your financial aid administrator's determination of financial need. If you had a job under a cooperative education program, and you got it based on your school's determination of your financial need, don't include earnings from that job. If an amount that you copy from a U.S. income tax return includes earnings from a need-based student aid program, **subtract** them before you write in that amount.

Income and Expenses for 1984

22. 1984 Income from IRS Form 1040, line 32; 1040A, line 14; or 1040EZ, line 3

If your parents **did not and will not** file a 1984 U.S. income tax return, skip to question 23.

If your parents **did** file a 1984 U.S. income tax return, write in the number from their Form 1040, line 32; 1040A, line 14; or 1040EZ, line 3.

If you (and your spouse) **did not and will not** file a 1984 U.S. income tax return, skip to question 23.

If you (and your spouse) **did** file a 1984 U.S. income tax return, write in the number from your Form 1040, line 32; 1040A, line 14; or 1040EZ, line 3.

If a U.S. income tax return for 1984 has **not** yet been completed, but will be, we strongly recommend that you complete one now.

Use the worksheet in the next column **only** if you cannot get a U.S. tax form.

Worksheet for question 22

Wages, salaries, tips, etc. (**Don't include student** financial aid.)	$ ______ 00
Interest income	+ ______ 00
Dividends after IRS exclusion	+ ______ 00
Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, social security, Railroad Retirement, and all other taxable income)	+ ______ 00
Add all of the numbers in the column	= ______ 00
Subtract IRS allowable adjustments to income (moving expenses, employee business expenses, payments to IRA and Keogh accounts, interest penalty on early withdrawal of savings, alimony paid, and deduction for married couple when both work).	− ______ 00
This is your answer for question 22. TOTAL	$ ______ 00

23. Income earned from work in 1984

Write in the amount of income earned from work in 1984 by your father in question 23a and by your mother in question 23b.

If you skipped question 22 because your parents did not and will not file a U.S. income tax return for 1984, include your parents' earnings from work in 1984. Add up the earnings from your parents' W-2 forms and any other earnings from work that are not included on the W-2.

If you answered question 22, include the "wages, salaries, tips, etc." from your parents' form 1040, line 7; 1040A, line 6; or 1040EZ, line 1. If your parents filed a joint return, report your father's and mother's earnings separately. If your parents own a business or farm, also add in the numbers from Form 1040, lines 12 and 19.

Write in the amount of income earned from work in 1984 by you in question 23a and by your spouse in question 23b.

If you skipped question 22 because you (and/or your spouse) did not and will not file a U.S. income tax return for 1984, include your (and your spouse's) earnings from work in 1984. Add up the earnings from your (and/or your spouse's) W-2 forms and any other earnings from work that are not included on the W-2.

If you answered question 22, include the "wages, salaries, tips, etc." from your (and your spouse's) Form 1040, line 7; 1040A, line 6; or 1040EZ, line 1. If you filed a joint return, report your and your spouse's earnings separately. If you (or your spouse) own a business or farm, also add in the amounts from Form 1040, lines 12 and 19.

24. Untaxed income and benefits for 1984

a. **Social security benefits for 1984**
Write in the amount of untaxed social security benefits (including Supplemental Security Income) that your parents got in 1984. Don't include any benefits reported in question 22. Don't report monthly amounts. Be sure to include the amounts that your parents got for you and their other children, but don't include any educational benefits, even if they are part of your parents' social security check.

Write in the amount of untaxed social security benefits (including Supplemental Security Income) that you (and your spouse) got in 1984. Don't include any benefits reported in question 22. Don't report monthly amounts. Be sure to include the amounts that you got for your children. Don't include any educational benefits.

b. **Aid to Families with Dependent Children (AFDC or ADC) for 1984**

Write in the total amount of benefits that your parents got in 1984 from Aid to Families with Dependent Children. (These are usually called either AFDC or ADC benefits.) Don't report monthly amounts. Don't report social security benefits here.

Write in the total amount of benefits that you (and your spouse) got in 1984 from Aid to Families with Dependent Children. (These are usually called either AFDC or ADC benefits.) Don't report monthly amounts. Don't report social security benefits here.

c. **Other untaxed income and benefits for 1984**

Add up the other untaxed income and benefits for 1984. Use the worksheet for question 24c, which is in the right-hand column. →

Expected Income and Expenses for 1985
How to figure expected amounts

Questions 25-30 ask about expected income and expenses for 1985. To figure these amounts, you have to **add** the actual amount from January 1, 1985 until today to the amount expected from today through December 31, 1985.

Follow the instructions for each question, and figure your answers on the worksheets for questions 25 and 28c.

Be as realistic as you can when you figure expected income and expenses, and check your arithmetic carefully.

If one of your parents is dead and your surviving parent has not remarried, give the income of **only** the surviving parent.

If your spouse has died, give information only for yourself.

Worksheet for question 24c

Deduction for a married couple when both work, from IRS Form 1040-line 30; 1040A-line 12	$ 00
Child support received	+ 00
Welfare benefits (except AFDC or ADC, which you should have reported in 24b)	+ 00
Untaxed portions of unemployment compensation	+ 00
Untaxed portions of Railroad Retirement Benefits	+ 00
Workman's Compensation	+ 00
Job Training Partnership Act non-educational benefits	+ 00
Veterans benefits except educational benefits; include Death Pension, Dependency & Indemnity Compensation (DIC), and VA Vocational Rehabilitation Program benefits	+ 00
Interest on tax-free bonds	+ 00
IRS dividend exclusion from IRS Form 1040-line 9b or 1040A-line 8b	+ 00
Untaxed portions of pensions	+ 00
Untaxed portions of capital gains	+ 00
Dividend reinvestment exclusion, from Form 1040, Schedule B-line 8	+ 00
Foreign income exclusion from IRS Form 2555-line 39	+ 00
Housing, food, & other living allowances for military, clergy, & others (Include cash payment and cash value of benefits.)	+ 00
Any other untaxed income and benefits such as Black Lung Benefits, excess earned income credit, etc.	+ 00
This is your answer for question 24c. TOTAL	+ 00

Don't include:
- Social security
- Any income reported in questions 22, 23a, 23b, 24a, and 24b
- Money from student financial aid programs (educational loans, work-study earnings, grants, or scholarships)
- Veterans benefits for education (GI Bill, Dependents Educational Assistance Program, or VA Contributory Benefits)
- Gifts and support, other than money, received from friends or relatives
- Food stamps
- Tax-sheltered or deferred annuities or "rollover" pensions

You must keep this worksheet. Don't send it in with your form, because you may be asked to refer to it later to verify the information on your application. It may also help you to show that your SAR is accurate.

Important:
Go back and read the instructions in the left-hand column of this page on how to figure expected amounts.

25. Expected 1985 income to be reported on IRS Form 1040, 1040A, or 1040EZ

If your parents do not expect to file a U.S. income tax return for 1985, write in "0."

If your parents expect to file a U.S. income tax return for 1985, use the worksheet below. You must use the worksheet to answer this question.

If you (and your spouse) do not expect to file a U.S. income tax return for 1985, write in "0."

If you expect to file a U.S. income tax return for 1985, use the worksheet below. You must use the worksheet to answer this question.

Worksheet for question 25

In figuring expected income for 1985, remember that for each kind of income below you must add together all income from January 1, 1985 until today and all expected income from today until December 31, 1985.

Wages, salaries, tips, etc. (Don't include student financial aid.)

Jan. 1, 1985 to now Now to Dec. 31, 1985

$________.00 + $________.00 = $______.00

Interest income

Jan. 1, 1985 to now Now to Dec. 31, 1985

$________.00 + $________.00 = $______.00

Dividends after IRS exclusion

Jan. 1, 1985 to now Now to Dec. 31, 1985

$________.00 + $________.00 = $______.00

Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, social security, Railroad Retirement, and all other taxable income)

Jan. 1, 1985 to now Now to Dec. 31, 1985

$________.00 + $________.00 = $______.00

Add all of the numbers in the right-hand column = $______.00

Subtract IRS allowable adjustments to income (moving expenses, employee business expenses, payments to IRA and Keogh accounts, interest penalty on early withdrawals of savings, alimony paid, and deduction for married couple when both work) for the whole year

Jan. 1, 1985 to Dec. 31, 1985

− $______.00

This is your answer for question 25.

TOTAL $______.00

You must keep this worksheet. Don't send it in with your form, because you may be asked to refer to it later to verify the information on your application.

---

26. Expected 1985 income earned from work

Write in the amount of income that your family expects to earn from work in 1985 by your father in question 26a and by your mother in question 26b. This is the same type of income that we asked for in question 23.

Write in the amount of income that your family expects to earn from work in 1985 by you in question 26a and by your spouse in question 26b. This is the same type of income that we asked for in question 23.

27. Expected 1985 payments to an IRA and/or Keogh

Write in the estimated amount of payment to an IRA and/or Keogh for 1985.

This question does not apply to you. Go to question 28.

28. Expected 1985 untaxed income and benefits.

a. **Social security benefits for 1985**

Write in the amount of untaxed social security benefits (including Supplemental Security Income) that your parents expect to get in 1985. (This is the same type of income that we asked for in question 24a.) Don't include any benefits reported in question 25. Don't report monthly amounts. Be sure to include the amounts that your parents will get for you and their other children, but don't include any educational benefits, even if they will be part of your parent's social security check.

Write in the amount of untaxed social security benefits (including Supplemental Security Income) that you and your spouse expect to get in 1985. (This is the same type of income that we asked for in question 24a.) Don't include any benefits reported in question 25. Don't report monthly amounts. Be sure to include the amounts that you got for your children. Don't include any educational benefits.

b. **Aid to Families with Dependent Children (AFDC or ADC) for 1985**

Write in the total amount of benefits that your parents expect to get in 1985 from Aid to Families with Dependent Children. (These are usually called either AFDC or ADC benefits.) This is the same type of income that we asked for in question 24b. Don't report monthly amounts. Don't report social security benefits here.

Write in the total amount of benefits that you (and your spouse) expect to get in 1985 from Aid to Families with Dependent Children. (These are usually called either AFDC or ADC benefits.) This is the same type of income that we asked for in question 24b. Don't report monthly amounts. Don't report social security benefits here.

c. **Other untaxed income and benefits for 1985**

Use this worksheet to figure the amount of other untaxed income and benefits that your parents expect to get in 1985. This is the same type of income that we asked for in question 24c.

Use this worksheet to figure the amount of other untaxed income and benefits that you (and your spouse) expect to get in 1985. This is the same type of income that we asked for in question 24c.

Worksheet for question 28c

In figuring expected income and benefits for 1985, remember that for each kind of income or benefit below you must add together the amount actually received from January 1, 1985 until today and the amount expected from today until December 31, 1985.

Deduction for a married couple when both work	$ .00
Child support received	+ .00
Welfare benefits (except AFDC or ADC which you should have reported in 28b)	+ .00
Untaxed portions of unemployment compensation	+ .00
Untaxed portions of Railroad Retirement Benefits	+ .00
Workman's Compensation	+ .00
Job Training Partnership Act non-educational benefits	+ .00
Veterans benefits except educational benefits; include Death Pension, Dependency & Indemnity Compensation (DIC), and VA Vocational Rehabilitation Program benefits	+ .00
Interest on tax free bonds	+ .00
IRS dividend exclusion	+ .00
Untaxed portions of pensions	+ .00
Untaxed portions of capital gains	+ .00
Dividend reinvestment exclusion	+ .00
Foreign income exclusion	+ .00
Housing, food, & other living allowances for military, clergy, & others (include cash payment and cash value of benefits.)	+ .00
Any other income and benefits such as Black Lung Benefits, excess earned income credit, etc.	+ .00
This is your answer for question 28c. TOTAL	$ .00

Don't include:
- Social Security
- Any income reported in questions 25, 26a, 26b, 27, 28a and 28b
- Money from student financial aid programs (educational loans, work-study earnings, grants, or scholarships)
- Veterans benefits for education (GI Bill, Dependents Educational Assistance Program or VA Contributory Benefits)
- Gifts and support, other than money, received from friends or relatives
- Food stamps
- Tax-sheltered or deferred annuities or "rollover" pensions

You must keep this worksheet. Don't send it in with your application form, because you may be asked to refer to it later to verify the information on your application.

29. **Expected 1985 medical and dental expenses not paid by insurance**

Write in the amount of money that your parents expect to pay in 1985 for medical and dental expenses. Don't include the cost of insurance premiums or amounts that will be paid by insurance.

Write in the amount of money that you (and your spouse) expect to pay in 1985 for medical and dental expenses. Don't include the cost of insurance premiums or amounts that will be paid by insurance.

30. **Expected 1985 elementary, junior high, and high school tuition**

Write in the amount of money that your parents expect to pay in 1985 for elementary, junior high, and high school tuition for their children. (Tuition doesn't include room, board, books, transportation, etc.) Don't include tuition that your parents will pay for you, or any tuition for preschool or college. Also, don't include tuition that will be paid by scholarships.

Write in the amount of money that you (and your spouse) expect to pay in 1985 for elementary, junior high, and high school tuition for your children. (Tuition doesn't include room, board, books, transportation, etc.) Don't include any tuition that you will pay for yourself, or any tuition for preschool or college. Also, don't include tuition that will be paid by scholarships.

Then, skip to Section E.

Answer questions 31 and 32 **only** if you are filling out the red shaded areas on the form. These questions are about the student. If the student is divorced, separated, or widowed, don't include information for the spouse.

31. **a. Student's (& spouse's) 1984 income**

If you (and your spouse) filed or will file a 1984 U.S. income tax return, write in the amount from Form 1040, line 32; 1040A, line 14; or 1040EZ, line 3. Don't include any earnings from student financial aid programs which are based on financial need. See "Important" statement before the instruction for question 22.

If a U.S. income tax return for 1984 has **not** been completed, we strongly recommend that you complete one now.

If you (and your spouse) did not and will not file a 1984 U.S. income tax return, figure out the answer to question 31a using your (and your spouse's) financial records for 1984 income.

Include:

- Student's (and spouse's) **wages**, salaries, and tips (Don't include student financial aid.)
- **Interest** income and dividends after IRS exclusion
- Other **taxable** income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, social security, Railroad Retirement, and all other taxable income)

If you have any IRS **allowable adjustments** to income (moving expenses, employee business expenses, payments to IRA and Keogh accounts, interest penalty on early withdrawal of savings, alimony paid, and deduction for married couple when both work), **subtract** them from your total 1984 income.

31. b. Student's (& spouse's) 1984 U.S. income taxes paid

If you (and your spouse) filed or will file a 1984 U.S income tax return, write in the amount from 1040, line 50; 1040A, line 23; or 1040EZ, line 9.

If you (and your spouse) did not and will not file a 1984 U.S. income tax return, you must write in "0."

31. c. Student's (& spouse's) 1984 untaxed income and benefits

Write in the amount of your (and your spouse's) 1984 untaxed income and benefits.

Include:

- Deduction for a married couple when both work
- Untaxed portions of social security benefits **except** educational benefits (Include Supplemental Security Income or disability benefits, etc.)
- Child support received for the student's children
- Aid to Families with Dependent Children (AFDC or ADC)
- Welfare benefits
- Untaxed portions of unemployment compensation
- Untaxed portions of Railroad Retirement Benefits
- Workman's Compensation
- Veteran's benefits **except** educational benefits (Include Death Pension, Dependency & Indemnity Compensation (DIC) and VA Vocational Rehabilitation Program benefits.)
- Job Training Partnership Act non-educational benefits
- Any other untaxed income and benefits

Don't include any social security benefits your parents received for you, social security educational benefits (benefits you get only because you are a college student), money from student financial aid programs (educational loans, work-study earnings, grants, or scholarships), or any income you reported in question 31a.

32. Student's (and spouse's) savings and net assets

Add up the student's (and, if married, spouse's) assets.

Include:

- Money you have in cash, savings, and checking accounts (Don't include money from student financial aid programs.)
- Value of real estate and investments (See instructions for questions 34 and 35.)
- Value of your business or farm (See instruction for question 36.)

Subtract any amount you owe on these assets before you write in your answer.

Section E Asset Information

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

You must give information about your parents' assets in questions 33 through 36. Don't include money from student financial aid programs, such as grants, loans, and work-study. If you are giving information for only one parent and your parents have jointly owned assets, give only your parent's portion of the assets and debts. If your parents have assets owned jointly with someone else, give only your parents' portion of the assets and debts.

You must give information about your (and your spouse's) assets in questions 33 through 36. Don't include money from student financial aid programs, such as grants, loans, and work-study. If you are divorced or separated and you have jointly owned assets, or if you and your spouse have assets owned jointly with someone else, give only your (or your and your spouse's) portion of the assets and debts.

Don't include personal or consumer loans, or any debts that are not related to the assets listed.

33. Cash, savings, and checking accounts

Write in the amount of money that is in cash, savings, and checking accounts as of the date you complete this application.

34. Home

Write in how much the home is worth. Use the price you would ask for your home if it went on sale as of the date you complete this application. Don't use assessed, insured, or tax value. A "home" includes a house, mobile home, condominium, etc. Renters, write in "0."

Then, write in how much is owed on the home, including the present mortgage and related debts on the home. (Don't include interest due.) Check with the mortgage company if you don't know.

35. Other real estate and investments

Write in how much other real estate and investments are worth as of the date you complete this application. Investments include trust funds, money market funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts, commodities, precious and strategic metals, etc. Don't include the value of pensions or retirement plans.

Then, write in how much is owed on other real estate and investments.

36. Business and farm

Write in how much the business and farm are worth as of the date you complete this application. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include how much the home is worth. (Home value should be given in question 34.)

Then, write in what is owed on the business and farm. Include only the present mortgage and related debts for which the business and farm were used as collateral.

If your parents are not the sole owners, write in only their share of the total business and farm value and debt.

If you (and your spouse) are not the sole owners, write in only your (and your spouse's) share of the total business and farm value and debt.

All students must fill out Sections F & G

Section F Student's (& Spouse's) Expected Income and Benefits

Questions 37-40 ask about income and benefits that you expect to get. Answer these questions as accurately as you can. If a question doesn't apply to you, or if you don't expect to get any income or benefits from that source, don't leave it blank, write in "0."

37. a. & b. Taxable income

Write in the total amount of taxable income that (a) you and (b) your spouse expect to get during the **3-month summer of 1985 and the 9-month school year of 1985-86.**

Include:

- Wages, salaries, and tips
- Interest and dividend income
- Any other income that will be earned or taxed

Don't include earnings from student financial aid, such as College Work-Study. If your job is awarded by the financial aid administrator at your school and is need-based (or is under a need-based cooperative education program), it is considered student financial aid. Don't include earnings from that job.

38.-39. Veterans educational benefits (for student only)

Write in the amount of veterans educational benefits that you will get per month **from July 1, 1985 through June 30, 1986,** and the number of months during this time that you will get those benefits. In question 38, write in what you will get from the GI Bill and Dependents Educational Assistance Program. In question 39, write in what you will get from the VA Contributory Benefits (VEAP) Program. (Include both the government and student portions.)

Don't include Death Pension, Dependency & Indemnity Compensation (DIC), or your spouse's G.I. Bill.

40. Other untaxed income and benefits

Write in the amount of other untaxed income and benefits that you (and your spouse) expect to get **from July 1, 1985 through June 30, 1986.**

Include:

- Deduction for a married couple when both work
- Untaxed portions of social security
- Child support received for the student's children
- Aid to Families with Dependent Children (AFDC or ADC)
- Welfare benefits
- Untaxed portions of unemployment compensation
- Workman's Compensation
- Veterans benefits, such as Death Pension, Dependency & Indemnity Compensation (DIC) and VA Vocational Rehabilitation Program benefits (Don't include the benefits that you gave in questions 38 and 39.)
- Spouse's G.I. Bill
- Interest on tax-free bonds
- IRS dividend exclusion
- Untaxed portions of pensions and capital gains
- Housing, food, and other living allowances for military, clergy, and others. (Include cash payments and cash value of benefits.)
- Job Training Partnership Act non-educational benefits
- Any other untaxed income and benefits, including Black Lung or Railroad Retirement Benefits, etc.

Don't include food stamps, any of the income or benefits that you reported in 37, 38, and 39, or money from student financial aid programs (educational loans, work-study earnings, grants, or scholarships).

Section G College, Release, & Certification

41. Write in the complete name, city, and State of the college that you will most likely be going to during the 1985-1986 school year. If the college you may be going to is a branch campus, be sure to include the complete name of the branch. If you don't know yet which college you are most interested in, you may leave this question blank.

42. a. Check "Yes" if you give us permission to send information from this form to the financial aid agency in your State. Some State agencies ask for this information. They may use it to help decide whether you will get a State award, and to check to see if you reported correct information on your State student aid application.

Check "No" if you don't want us to send information from this form to the financial aid agency in your State. If you check "No," your State aid may be delayed, but it will have no effect on your Federal aid.

42. b. Check "Yes" if you give us permission to send information from this form to the college that you listed in question 41. Many colleges use this information to help estimate the amount of your financial aid package.

Check "No" if you don't want us to send information from this form to the college that you listed in question 41.

43. **You must sign this form.** If you are married, your spouse must sign this form. If you filled out the red shaded areas, at least one of your parents must also sign this form. **Everyone signing this form is certifying that all information on the form is correct** and that they are willing to give documents (such as a copy of their 1984/85 U.S., State, or local income tax returns) to prove that the information is correct.

Sending in Your Form

Double-check your form to make sure it is complete and accurate. Be sure it has the necessary signatures.

Put the form in the envelope that comes with this booklet. Don't send money. Don't put letters, tax forms, worksheets, or any extra materials in the envelope. **They will be destroyed.**

Also fill out and include the postcard that comes with this booklet. You must put a stamp on the postcard, or we will not be able to mail it back. As soon as we receive your application, we will mail the postcard back to you, stamped with the date you should expect to receive your SAR. If you don't receive the postcard within four weeks, send us another Special Condition Application.

Remember, we must receive your application by

May 1, 1986

BROADCAST CENTER

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7720 Forsyth Blvd
St. Louis, Missouri 63105
(314) 862-7600

WILLIAM H. GEBHARDT
President

August 26, 1985

Congressman William D. Ford
Chairman
House Subcommittee of
Postsecondary Education
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Ford:

In 1979, you responded to a letter I wrote you regarding my discontent with the growing number of dishonest trade schools thriving on government student aid funds. A copy of your letter is enclosed. The situation seems to have worsened since we corresponded in 1979. I have vigorously continued my efforts to expose dishonest trade schools and accrediting associations that enable taxpayers' money to be wasted.

You'll find several items enclosed to update you on my activities in this area. The primary enclosure is a study I did in 1981-82 on the highly questionable practices of the nation's largest trade school accrediting association, The National Association of Trade and Technical Schools (NATTS). The survey results basically showed that the majority of NATTS member schools weren't maintaining the standards they were originally required to meet in order to become NATTS members. Their membership, of course, made them eligible to receive federal and, in some cases, state financial aid, in the form of student tuition. NATTS does a fairly shoddy job of monitoring their member schools to be sure these basic requirements are maintained on a yearly basis. On the other hand, NATTS is doing a superb job of fooling the American people, the Department of Education and its monitoring agencies, and the federal government in general, into believing that its (NATTS') schools are strictly regulated and monitored.

My study created quite a commotion. When I turned it over to Congressman Dick Gephardt and to then Congressman

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Paul Simon, they were so taken by it they held a national news conference to publicize it. The two men subsequently turned my study over to the General Accounting Office (GAO). It prompted the GAO to include trade schools in an investigation it had started into the abuse and misuse of federal financial aid in the post-secondary system. They had only planned to look into the abuse at the college level.

The Federal Trade Commission (FTC) was so interested in the survey and verifying the results, they sent three staff members to St. Louis to visit me and examine the survey material. One of the FTC people was Mr. Walter Gross, head of the Consumer Protection Bureau. His aide, an attorney, and a research analyst accompanied him. These people were so amazed by all the evidence, they asked my permission to microfilm it. Of course, I consented. Ultimately, they verified the survey results and used the more than 13,000 pieces of evidence they had microfilmed to conduct surveys of their own. Mr. Gross told me that never before had so much complete material on U.S. trade schools been amassed in one place.

As a result of Congressmen Gephardt and Simon's efforts, the study received a lot of national publicity on radio and TV and in print. I was interviewed by several major newspapers throughout the U.S. In addition, I traveled to New York and was interviewed on local and nationally syndicated radio programs along with my chief assistant on the project, Sue LeTourneau.

When "Sixty Minutes" in New York learned about and read my survey, the producers were prompted to do a segment on the rip-off state of trade schools in America today. The story was aired on the final regular season broadcast of the program last May. We served as the catalyst and primary research source for the story.

Late last spring, I sent the survey with a letter to President Reagan. His response came in the form of a letter earlier this month from Mr. C. Ronald Kimberling, Acting Assistant Secretary for Postsecondary Education. A copy of Mr. Kimberling's letter and my response to it are also enclosed.

At Mr. Kimberling's suggestion, I have written Congressman E. Thomas Coleman and Senator Robert Stafford, Chairman of the Subcommittee on Education, Arts, and Humanities. Mr. Kimberling suggested that I might speak at hearings for the reauthorization of the Higher Education Act. I feel I have valuable information and insight, of a first-hand nature, regarding trade schools who are almost literally robbing students and misusing tax dollars. These many schools are overwhelmingly creating a chasm of distrust in this area of American education.

Trade schools on the whole are not providing the kind of quality educations conducive to the immediate employment of their students upon graduation. They spend practically no time or money on placing their graduates in jobs. They fail to inform students, prior to enrollment, their chances of getting a job with the education and their chances of succeeding and making a decent living in the students' chosen fields. That the Department of Education and the federal government permit this to happen because of an absence of rules to require it is a sorrowful situation indeed. We all suffer because of it -- especially the poor trade school students who finish their education with a big loan to pay off and with no job -- and no hope of getting a job -- therefore resulting in no hope of getting money to pay off that big loan.

I would appreciate knowing when the next hearings will be held in Washington, DC, relative to the reauthorization of the Higher Education Act. Once you've read the material enclosed, you'll understand my earnestness in addressing the problem of preventing trade schools from raiding our national coffers and dirtying the American Dream for thousands, maybe millions, of trade school students and graduates.

I spent over $40,000 of my own money and many, many hours to do this survey. I would do it all again. My faith in the American system of government and justice prompted me to return to you to enlist your help in eliminating the flagrant dishonesty that exists in the trade school arena. Your committment to that ideal, as well as to the constant improvement of our educational system, is well-known and admired.

Thank you for your time and consideration to the enclosures here. I'll contact you again soon and look forward to discussing this matter with you.

Sincerely,

William H. Gebhardt
William H. Gebhardt

WHG/daz

Encls.

BROADCAST CENTER

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WILLIAM H. GEBHARDT
President

August 26, 1985

Mr. C. Ronald Kimberling
Assistant Secretary for
Postsecondary Education
United States Department of Education
Washington, DC 20202

Dear Mr. Kimberling:

Thank you for your detailed response to the letter I sent to President Reagan. It is indeed comforting to know our government is sensitive to qualified information from a citizen.

While your letter details the Department of Education's and the Federal Government's attempts at ensuring quality educations for all students, it seems everyone has lost sight of a critical reason for education. Certainly all students expect to expand their knowledge, but the overwhelming majority pay for an education, study, and graduate in order that the education will help them earn money on which to live or greater wages based on a quality education. This is particularly true for students and graduates of trade schools.

The single objective to every trade school applicant is, "Can I get a job if I go to your school?" Students look to trade schools only and specifically to get a job when they finish their education. The most important information a student should receive prior to enrollment is a total disclosure of the successes of all recent graduates. Included in this, students need to know exactly how many graduates could not find work (enclosed is our Truth in Education statement which we issue annually to students and to the public). This is a must for every trade school applicant. Government funding, subsidization, and grants must stem from that alone.

I feel that virtually all trade school associations camouflage the fundamental information that trade school

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applicants need to know. All the flowery language and all the prerequisites established by the trade school associations have duped the United States Government into overlooking the employment ability of those that enter and will graduate from such schools.

Trade school associations have persuaded the Department of Education with a lot of abstract, meaningless verbage that has nothing to do with the employment ability of its graduates.

Trade school graduates are far different from college graduates. Our college system grants a wide variety of majors. The colleges themselves are helping college-level people to learn the arts as well as the sciences. These college graduates enter professions; they are not interested in becoming welders, air conditioning/heating or car mechanics, dental hygienists, nurse's aides, and other trades. A college degree is beneficial in the professional world. A trade school certificate means a person is trained to do a single job. If they can't get a job in a specialty, then the education was worthless and ineffective.

It is our goal to put realism in the trade school field. Schools that cannot place their graduates, or graduates of the schools who cannot find work, waste student time and money and further waste federal and state grants and loans.

The Department of Education has equated trade schools with higher education motives to serve in a trade school world. This is the fundamental fact that's cost us billions of dollars in Guaranteed Student Loans, federal and state grants. I think most of the rules regulating trade schools should be scrapped and rewritten when it comes to students in proprietary education.

The reckless spending of billions of dollars has produced little success for trade school graduates. Perhaps there should be a proprietary school division separate and apart from higher education which is, specifically, college. We have made wealthy men and women by the hundreds, perhaps thousands, of those people who operate trade schools, and we have done little to satisfy the needs of industry by turning our poor or unemployable trade school graduates.

Over the years, enough companies that need blue collar workers, by and large, cannot find qualified graduates from trade schools. One of the greatest wastes are those schools who lure broadcast school students. They play on the vanity pitch much like modeling schools do. Hopefully, our studies and our campaign to put realism in trade schools will save billions of dollars in taxpayers' money in the next few years. We must expect the schools to succeed on merit and we must quit subsidizing scam schools to the enrichment of the operators.

The Department of Education inadvertently aided and abetted the formation of trade school associations. These trade school associations are nothing more than protective societies, not to protect the students, but to protect the profits of trade school operators.

No one else has spent $40,000 of their own money on an in-depth study of the trade school hoax as I have. We feel strongly about this fraud that's penetrated the youth and young adults of America.

The Department of Education should create a panel not of educators, but of supervisors and executives of industries of the country. It is unfair for educators in higher educations to pass judgement and set rules for schools of trade. Accreditation should be granted by owner and management people who are likely to be future employers of these trade school graduates, rather than owners and managers of trade schools who are members of the accrediting associations, as is now the case.

Thank you for your helpful suggestions regarding our contacting Senator Robert Stafford and Congressmen William Ford and E. Thomas Coleman. We're in the process of informing them of our studies and ideas on improving the accrediting process as well as the overall quality of education in our country.

I know from experience with my own school, we can institute positive, realistic changes in our educational and accrediting systems that will benefit everyone except the dishonest trade school owners and operators. What I am requesting of the government regarding trade schools and all proprietary schools can be done. It's not impossible because I have done it and proven it can work. My own School, Broadcast Center, has an excellent reputation as an honest and effective education with the public, and the students and graduates alike.

Thank you again for your reply and your interest.

Best regards,

William H. Gebhardt

WHG/daz

Encls.

cc: Mr. Kenneth D. Whitehead,
Deputy Assistant Secretary
for Higher Education Programs
Congressman William D. Ford
Congressman E. Thomas Coleman
Senator Robert T. Stafford
Ms. Patty Galt

NATTS SURVEY
AND
REFC SURVEY

CAPSULE RESULTS

by
William H. Gebhardt, President
Broadcast Center
St. Louis, Missouri

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William H. Gebhardt

NATIONAL ASSOCIATION OF TRADE AND TECHNICAL SCHOOLS SURVEY

RESPONSE:
442 (74%) of the 598 schools responded.

30 (7%) of the 442 responding schools sent all the items requested.

CATALOGS:
304 (69%) of all responding schools sent a catalog as requested.

262 (86%) of the catalogs DID NOT MEET NATTS catalog requirements.

CONTRACTS (ENROLLMENT AGREEMENTS):
145 (33%) of responding NATTS schools sent a contract as requested.

114 (79%) of the contracts sent DID NOT MEET NATTS requirements.

REFUND POLICY:
323 (73%) of all responding schools provided material containing the school's refund policy.

202 (63%) of the school refund policies examined DID NOT MEET NATTS specified refund policy.

NATTS HIERARCHY

NOTE: The following is a survey done on the NATTS accredited schools represented by NATTS' Officers, Board of Directors and the NATTS Accrediting Commission. The purpose of focusing on these schools was to compare how the hierarchy's schools fared compared to the total school survey. A breakdown of survey results for each of the three groups is provided in the NATTS survey booklet, "BOOK ONE".

RESPONSE:
22 (81%) of the 27 schools represented by NATTS' hierarchy responded to the survey.

SCHOOLS SENDING ALL MATERIAL REQUESTED:
1 or 5% of the 22 responding schools sent all the material requested.

CATALOGS:
16 (73%) of the 22 responding schools sent a catalog as requested.

11 (69%) of the 16 catalogs received DID NOT MEET NATTS requirements.

CONTRACTS (ENROLLMENT AGREEMENTS):
4 (18%) of the 22 responding schools sent a contract as requested.

3 (75%) of the 4 contracts received DID NOT MEET NATTS specifications.

REFUND POLICIES:
16 (73%) of the 22 responding schools sent material containing a

9 (56%) of the 16 refund policies reviewed DID NOT MEET NATTS specifications.

RELEVENT EDUCATIONS FOR CAREERS SURVEY

RESPONSE:
57 schools (9.8%) of the 581 schools who were sent questionaires responded to the survey.

ATTRITION RATE:
18% among the responding schools.

PLACEMENT:
44 (77%) of the responding schools gave complete information regarding placement.

82% of all 1980 graduates in the responding schools were placed into jobs by their schools.

NOTE: The truth is questionable in the figures provided by the schools regarding the number of graduates they placed in 1st jobs. Considering the number of job openings received by the schools in proportion to the number of graduates, the schools averaged 2 job openings for every graduate. Therefore, in lieu of the number of job openings and number of graduates reported, the schools should have placed a higher percentage of graduates.

6 (11%) of the 57 responding schools did not have a placement service which is required by NATTS for accreditation eligibility.

FUNDING:
51 (89%) of the responding schools gave complete information regarding funding.

33% of the total enrollments in 1980 paid their own tuition, either all the tuition or part of it.

NOTE: It was impossible to tell with the funding information provided exactly how many students paid their total tuition with grants and loans provided by the government, also how many of the students paid part of their tuition on their own and paid the rest with government grants and/or guaranteed student loans. It appears, though, that at least 65% of all tuition funds came from state or federal loans.

NATTS HIERARCHY

NOTE: the following is a survey done on the NATTS accredited schools represented by NATTS' Officers, Board of Directors and Accrediting Commission. The purpose of focusing on these schools was to compare the hierarchy's schools' response to the survey with the overall

REFC survey results. A breakdown of survey results for each of the three groups may be reviewed in the REFC survey booklet, "BOOK TWO"

RESPONSE

1 or 4% of the 27 schools represented responded to the survey. This school was part of a chain of schools associated with one of the accrediting commissioners.

ATTRITION

Incomplete information was given and a statistic was impossible to calculate.

FUNDING

26 (29%) of the ninety 1980 enrollments in this one school paid their own tuition.

64 (71%) of all 1980 enrollments paid their tuition with government grants and/or loans.

WCCC
Wayne
County
Community
College

801 W. Fort Street
Detroit, Michigan
48226
(313) 496-2500

August 8, 1985

The Honorable William D. Ford
Chairman, House Subcommittee
On Post-Secondary Education
239CHOB
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Ford:

I was pleased to be asked to present testimony before the House Subcommittee on Post-Secondary Education regarding the issue of ability to benefit as a criterion of student eligibility for Title IV Student Aid. We appreciate your strong continued support of the Title IV Programs.

Pursuant to testimony offered on other concerns impacting the Title IV student aid programs, I would offer the following comments for consideration as you develop the Title IV reauthorization legislation.

1. Independent Student

   Mr. Gladieux suggested a revised hierarchy for determination of independent student status - up through 22 years of age, 23-25, and over 25. Dr. Martin sought to defer testimony pending further discussion among NASFAA National Council members.

   No single issue of needs analysis has troubled us any more in the recent past than the development of a "verifiable" test of student independence from parental support. Ways to circumvent parent and family support requirements, as currently written, are supposedly legion. Families with "ability to pay" are unwilling to pay in some cases. Independent student status may well rest on a set of arbitrary criteria that can be monitored by the Financial Aid Office. I can only hope that you will exercise caution in establishing such criteria.

Downriver Campus
21000 Northline Rd.
Taylor 48180
Phone: 374-2700

Western Campus
9555 Haggerty
Belleville 48111
Phone: 699-0200

Downtown Campus
1001 W. Fort Street
Detroit 48226
Phone: 496-2758

Eastern Campus
5901 Connors
Detroit 48213
Phone: 922-3311

Northwest Campus
8551 Greenfield
Detroit 48228
Phone: 943-4000

Current suggested criteria for students 18-22 (i.e. single parent with child, ward of the court, married, etc.,) are firm categories and can be monitored. Adopting new criteria for independence for 23-25 and over 25 would greatly increase our mandatory paperwork and would not significantly impact status determinations for many students - particularly those enrolled in community and junior colleges.

At Wayne County Community College, we recognize the necessity to monitor student independence status. Since the Fall of 1984, we have required parent and student certification of independence for all independent applicants 22 years of age or younger. This was in advance of the regulation requiring the certification. Some state programs and post-secondary educational institutions serve a more traditional student population of ages 18-22 and have as a result established rigid guidelines for student independence from family support requirements; however, we in community colleges serve an older non-traditional student population. Surveys demonstrate that increasing numbers of older students will be seeking/returning to post-secondary education. The definition of student independence for Title IV funds must remain sensitive to that fact.

2. Master Calendar

I cannot emphasize strongly enough the necessity to create an annual "Master Calendar" for Title IV funds and fund processes. Students must have adequate timely notification of assistance that is awarded to them. Late notifications and untimely funding force many students to delay their enrollment in post-secondary education. These circumstances often mean that many financial aid offices are unable to assure timely responses to students.

3. Training

As the financial aid programs are reauthorized, I would urge you to write into the law, as mandatory, funding that the Secretary of Education must use for programs of training for financial aid administrators as well as the dissemination of information to students. The Student Information Center no longer provides toll free information to students. And while the financial aid professional associations are engaged in active programs to train their membership, training for financial aid administrators must also be instituted by the Department of Education (OSFA).

Your careful consideration of these issues is truly appreciated. I look forward to a successful, responsive legislative effort under your leadership.

Sincerely yours,

Mary Jane Bond

Mary Jane Bond
Director, Financial Aid

cc: Thomas P. Sullivan
Frank Mensel

MJB/eh

AMERICAN COUNCIL ON EDUCATION
Office of the President

August 7, 1985

The Honorable William J. Bennett
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

Dear Mr. Secretary:

I note in today's Higher Education Daily that you still stand by your estimate of 13,000 GSL recipients whose parents earn more than $100,000, but that you now qualify it with a low estimate: "let's say 7,000, it's still a ... significant number."

Our own best estimate, based on the Student Aid Recipient Data Bank developed by the higher education associations, is that there is no significant number and never was: that there could be no more than 100-200 such cases in the country, and those due to unusual family circumstances.

Enclosed is a copy of our statement to the House Postsecondary Subcommittee concluding that your estimate was based on misinterpretation of inappropriate data. It would greatly aid the cause of public understanding if you would refrain from citing your original erroneous charge, either in the high or low versions.

Sincerely,

Robert H. Atwell
President

RHA:lg
Encl.

One Dupont Circle, Washington, D.C. 20036-1193
President (202) 833-4710 Vice President (202) 833-4712

FACT SHEET ON HIGH-INCOME GSL RECIPIENTS

Secretary of Education William Bennett has alleged that some 13,000 students from families exceeding $100,000 family income are receiving Guaranteed Student Loans.

The Secretary's charge was based on misinterpretation of inappropriate data. Analysis by the higher education community reveals only a few isolated instances of GSL recipients with family incomes over $100,000 --- each of them exceptional cases of families with several students in college and unusually high debts or medical expenses.

Secretary Bennett's erroneous estimate is based on student-reported estimates of parental income from a survey of first-time full-time freshmen conducted by UCLA.

ACE does not believe that this survey is an appropriate source of data on family income for aid recipients in the college population. Even for freshmen, the income data need careful interpretation. It must be understood that the survey only reflects the students' estimate of their family income. In addition, the questionnaire for that survey does not differentiate between federal guaranteed student loans and federally guaranteed parent loans. Thus, it is likely that almost all of the 13,000 reported by the Secretary are recipients of unsubsidized PLUS loans, not GSL loans.

More precise data are available from the Student Aid Recipient Data Bank developed by the higher education associations, which surveyed official records from institutional financial aid offices in both public and independent institutions, which are responsible for administering federal funds.

That data bank revealed only one case of a guaranteed student loan received by a student from a family with an income over $100,000, and that student's family was paying over $20,000 in higher education costs for two of their six children, and also paying off heavy medical debts.

Only one case from a national sample survey such as this is too small a number from which even to draw precise estimates of national data, but based on the weights given to other data in this survey, and based on anecdotal data received to date, we estimate that there could be no more than 100-200 unusual cases such as this in the country.

To qualify for a GSL at such a high income level, under the need analysis system, as regulated by the U.S. Department of Education, a family must consist of more than four family members and have several children enrolled in high-priced institutions, or have enormous amounts of debt.

American Council on Education
Division of Governmental Relations
June 14, 1985

AMERICAN COUNCIL ON EDUCATION
Division of Policy Analysis and Research

Who Gets Student Aid: A 1983-84 Snapshot

Summary of a Policy Seminar
Held July 19, 1984

As the time to reauthorize the Higher Education Act of 1965 approaches, and as students and families continue to face the challenges of financing postsecondary education, it is important to have timely, dependable information on those that receive student financial assistance. On July 19, 1984, the American Council on Education (ACE) and the Association Council for Policy Analysis and Research (ACPAR) sponsored a Policy Seminar entitled, "Who Gets Student Aid: A 1983-84 Snapshot." Data was presented at this seminar from a national survey of student aid recipients at public and independent colleges and universities. These data go a long way toward answering questions concerning the amount of aid students receive; the mix of grants, loans, and work-study received by these students; and the roles that the Federal Government, states, and institutions play in meeting college costs.

The survey, funded by the Ford Foundation, was a joint project of the National Institute of Independent Colleges and Universities (NIICU), the American Association of State Colleges and Universities (AASCU), the National Association of State Universities and Land-Grant Colleges (NASULGC), and the American Association of Community and Junior Colleges (AACJC). It is comparable to a similar effort conducted for the 1981-82 academic year and builds upon an idea conceived by NIICU in 1978. The data and analyses presented here are preliminary. While the results may vary slightly when the full data set is compiled, these data are generally reliable.

Perhaps the most significant conclusion of the preliminary analysis of the data is the increasing reliance of students, especially those from low-income backgrounds, on loans as a form of college financing. Julianne Still Thrift, executive director of NIICU, reported that 59 percent of dependent undergraduate aid recipients secured Guaranteed Student Loans in 1983-84, as compared to 23 percent four years ago. Thrift explained that dependent students at independent colleges whose family incomes exceeded $15,000 were more likely to have a GSL than a Pell Grant; in 1979-80 the comparable income level was $36,000. The average loan size for these students in 1983-84 was over $2,200.

Jacob Stampen, a Professor of Educational Administration at the University of Wisconsin, reported that more than one-third of the dependent aid recipients at public colleges and universities were issued GSL's in 1983-84 for an average of $1,910. A similar percentage of independent students secured these loans, averaging more than $2,000 each.

Data was also presented on the aid received by graduate students, where even more reliance on Guaranteed Student Loans was found. Two-thirds of the graduate student aid recipients at independent colleges and 86 percent of those at public colleges secured GSL's. For independent college students these loans averaged over $4,500, while at public colleges the average was under $4,000.

Another subject of concern was the evidence of declining financial aid participation rates among minority students. The proportion of minority students receiving federal aid at public schools fell from 34 percent to 28 percent between 1981-82 and 1983-84. Stampen concluded that there is legitimate cause for worry about minority and low-income participation. Julianne Still Thrift noted that although independent schools had registered a slight rise in the proportion of minority students receiving federal aid, this was almost entirely due to increased use of GSL's. Arnold Mitchem, director of the National Council of Educational Opportunity Associations, sounded the strongest note; he found cause for alarm on this issue, terming the data "chilling." Mitchem also noted that student aid alone does not provide enough of an incentive for disadvantaged and minority students to participate in higher education. He described the TRIO programs, which provide a wide variety of services to help students finance and cope with the demands of postsecondary education, as essential supplements to direct aid programs.

In addition to Mr. Mitchem, Thomas Wolanin, legislative aide to Congressman William D. Ford (Dem., Michigan), and William Clohan, counsel to the Association of Independent Colleges and Schools, were invited to respond to the data and to talk about "closing the information gap."

Wolanin spoke of the need among members of Congress to know whether student aid works, i.e. whether it is worth the federal investment. Congress would like to know the answers to a great many questions, remarked Wolanin, many of which are in fact value judgements, such as the proper level of family contributions. Wolanin also stressed the need to respond to "hot" Congressional issues with appropriate facts as well as the desire of Congress and Congressional staff to be able to anticipate the results that will occur when changes are made to the student aid programs.

The unique needs and characteristics of proprietary students and schools were addressed by Mr. Clohan. In his remarks, Clohan observed that proprietary students depend heavily on loans and Pell Grants because they commonly have no other sources of aid available to them. He reported that a larger proportion of proprietary students are minority and they are generally from lower-income families than their college counterparts. Clohan also spoke from his perspective as a former Under-Secretary of Education and Congressional staffer, and detailed the need for more case studies to illustrate the effects of student aid and the benefits of using graphic presentations to display complex and confusing data.

Attached to this summary are the materials distributed at the seminar, including the preliminary findings from the data. Early this fall, NIICU and AASCU will be publishing detailed reports that examine the characteristics of aid recipients at independent and public colleges and universities, respectively. Please contact them for information on how to obtain these reports.

WHO GETS STUDENT AID: A 1983-84 SNAPSHOT

The 1983-84 Survey of Student Aid Recipients is a joint project of the National Institute of Independent Colleges and Universities, the American Association of State Colleges and Universities, the National Association of State Universities and Land-Grant Colleges, and the American Association of Community and Junior Colleges. Funded by the Ford Foundation and coordinated by the American Council on Education, this survey is designed to gather comprehensive information on the distribution of student financial assistance, the students receiving aid, and the role that aid plays in the financing of postsecondary pursuits.

The data presented today tell us a great deal about who gets student aid and the combinations of aid sources that students receive. Information is available on the role of federal aid programs, state programs, and institutionally sponsored assistance. The relationship between loans, grants and work-study assistance can be explored using these data as can the contributions made by parents and students to the total cost of education. The data presented on graduate student aid recipients enables us to examine the educational costs and sources of aid that are unique to these students.

The information prepared for this seminar represents an initial analysis of the 1983-84 survey. The data are preliminary and are based on the survey responses received by mid-June. Further analyses will include the complete data sets, and the results may differ slightly from the information presented today. While we are confident that the material provided for the seminar is accurate, timely, and reliable, we encourage you to secure copies of the final reports on the surveys which will be produced by NIICU and AASCU in the early fall. These reports will contain more in-depth analyses and present a more detailed look at who gets student aid.

For more information on this project, please contact Scott E. Miller, Senior Research Associate with ACE at (202) 833-4744; Julianne Still Thrift with NIICU at (202) 483-9434; or Jacob Stampen of the University of Wisconsin-Madison at (608) 263-4485.

Table 1

General Characteristics:

Institutions and Students Represented by the Data

	Independent Institutions	Public Institutions
Total number of institutions:[1]		
sample	132	192
population	1032	1357
Institutions by type: (number)		
Universities	63	113
Comprehensive	237	339
Liberal Arts I	115	0
Liberal Arts II	344	11
Two-year	78	848
Specialized	160	46
Unclassified	35	0
Average cost of attendance[2]	$8826	$5094
Total enrollment (headcount)	2.1 million (est.)	9.6 million (est.)
Total aid recipients as a % of total enrollment	59% (est.)	31% (est.)
Total federal aid recipients as a % of total enrollment[3]	43% (est.)	26% (est.)

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[1] Surveys were limited to institutions with enrollments of 500 or more.

[2] Includes tuition, fees, room, board and other budgeted expenses for federal aid recipients.

[3] Defined as recipients of at least one of the following: Pell, SEOG, NDSL CWS, and GSL.

Table 2

Profile: All Recipients of Federal Aid, 1983-84

	Independent Institutions	Public Institutions
Average Age	22	23
Percent who are:		
18 or less	11%	9%
19-21	52	44
22-25	23	26
26 or more	14	21
Percent minority	18%	28%
Family income:		
Under $6,000	17%	27%
$6,000-12,000	12	21
$12,000-18,000	13	16
$18,000-24,000	12	12
$24,000-30,000	13	10
$30,000-36,000	10	6
Over $36,000	23	8
Status:		
Dependent	77%	60%
Independent	23	40

Table 3

Profile: Dependent and Independent Recipients of Student Aid, 1983-84

	Independent Institutions	Public Institutions
	DEPENDENT STUDENTS	
Average Age	20	20
Percent who are:		
18 or less	14%	15%
19-21	63	62
22-25	21	21
26 or more	2	2
Percent minority	17%	28%
Family income:		
Under $6,000	10%	12%
$6,000-12,000	11	19
$12,000-18,000	13	19
$18,000-24,000	13	16
$24,000-30,000	16	15
$30,000-36,000	12	8
Over $36,000	25	11
	INDEPENDENT STUDENTS	
Average Age	28	27
Percent who are:		
18 or less	2%	1%
19-21	14	17
22-25	29	33
26 or more	56	49
Percent minority	21%	29%
Family income:		
Under $6,000	50%	58%
$6,000-12,000	20	26
$12,000-18,000	14	10
$18,000-24,000	8	4
$24,000-30,000	6	2
$30,000-36,000	1	0
Over $36,000	1	0

Table 4

Student Expenses and Sources of Support:
Dependent Recipients of Federal Aid, 1983-84

	Independent Institutions		Public Institutions	
	Average Dollars	Percent of Total Costs	Average Dollars	Percent of Total Costs
STUDENT EXPENSES:				
Tuition, fees	5088	60	1117	27
Other	3452	40	3065	73
Total, expenses	$8540	100%	$4182	100%
STUDENT RESOURCES:				
Parental Contribution	$2216	26%	$1025	25%
Grants (Need-Based)				
Pell	495	6	725	17
SEOG	176	2	106	3
State (incl. SSIG)	578	7	168	4
Institutional	495	6	26	1
Total, Grants	$1743	20%	$1025	25%
Student Employment				
College Work-Study	423	5	264	6
State/Institution	193	2	6	0
Total, Employment	$616	7%	$270	6%
Loans				
NDSL	302	4	188	5
GSL/FISL	1627	19	784	19
Institutional	36	0	4	0
Total, Loans	$1965	23%	$976	23%
Student Contributions	$1280	15%	$648	16%
Other Aid	$ 639	8%	$168	4%
TOTAL, ALL RESOURCES	$8460	99%	$4112	98%
REMAINING NEED	$81	1%	$70	2%

NOTE: Each dollar figure is an average; individual averages may not precisely add to subtotals and total averages.

Table 5

Student Expenses and Sources of Support: **Independent** Recipients of Federal Aid, 1983-84

	Independent Institutions		Public Institutions	
	Average Dollars	Percent of Total Costs	Average Dollars	Percent of Total Costs
STUDENT EXPENSES:				
Tuition, fees	4055	42	899	15
Other	5696	58	5158	85
Total, expenses	$9751	100%	$6057	100%
STUDENT RESOURCES:				
Grants (Need-Based)				
Pell	1140	12	897	15
SEOG	126	1	100	2
State (incl. SSIG)	517	5	120	2
Institutional	1140	12	14	0
Total, Grants	$2924	30%	$1131	19%
Student Employment				
College Work-Study	285	3	347	6
State/Institution	275	3	9	0
Total, Employment	$560	6%	$356	6%
Loans				
NDSL	274	3	192	3
GSL/FISL	1463	15	863	14
Institutional	57	0	2	0
Total, Loans	$1794	18%	$1057	17%
Student Contribution	$3114	32%	$3246	54%
Other Aid	$505	5%	$139	2%
TOTAL, ALL RESOURCES	$8896	91%	$5929	98%
REMAINING NEED	$855	9%	$128	2%

NOTE: Each dollar figure is an average; individual averages may not precisely add to subtotals and total averages.

Table 6

Recipients of Selected Aid Sources at **Independent** Institutions, 1983-84

DEPENDENT UNDERGRADUATE AID RECIPIENTS

SOURCE OF FUNDS	Percent Receiving	Mean Award Per Recipient
Pell Grant	34%	$1168
SEOG	19	768
College Work-Study (All Sources)	43	1239
NDSL	25	994
GSL	59	2237
State Need-Based	34	1541
Institutional Need-Based	41	1797

INDEPENDENT UNDERGRADUATE AID RECIPIENTS

SOURCE OF FUNDS	Percent Receiving	Mean Award Per Recipient
Pell Grant	70%	$1460
SEOG	16	733
College Work-Study (All Sources)	28	1858
NDSL	23	1085
GSL	54	2373
State Need-Based	32	1481
Institutional Need-Based	27	1484

Table 6 (Continued)

Recipients of Selected Aid Sources at Public Institutions, 1983-84

DEPENDENT UNDERGRADUATE AID RECIPIENTS

SOURCE OF FUNDS	Percent Receiving	Mean Award Per Recipient
Pell Grant	62%	$ 994
SEOG	17	527
College Work-Study (All Sources)	23	1030
NDSL	22	534
GSL	35	1910
State Need-Based	27	583
Institutional Need-Based	5	583

INDEPENDENT UNDERGRADUATE AID RECIPIENTS

SOURCE OF FUNDS	Percent Receiving	Mean Award Per Recipient
Pell Grant	70%	$1027
SEOG	14	587
College Work-Study (All Sources)	19	1543
NDSL	16	967
GSL	34	2042
State Need-Based	18	557
Institutional Need-Based	3	517

Table 7

Graduate Student Aid Recipients at **Independent Institutions**, 1983-84

STUDENT CHARACTERISTICS

	Percent of Recipients
Sex:	
Male	59%
Female	41
Average Age	28
Registration Status:	
Full-time	87%
Part-time	10
Unreported	3

AID RECEIVED

	Percent Receiving	Mean Award Per Recipient
GSL	68%	$4585
NDSL	14	1825
College Work-Study (All Sources)	19	3143
State Need-Based	5	1359
Institutional Need-Based	13	2601

Table 7 (Continued)

Graduate Student Aid Recipients at Public Institutions, 1983-84

STUDENT CHARACTERISTICS

	Percent of Recipients
Sex:	
Male	52%
Female	48
Average Age	28
Registration Status:	
Full-time	87%
Part-time	10
Unreported	3

AID RECEIVED

	Percent Receiving	Mean Award Per Recipient
GSL	86%	$3868
NDSL	30	1778
College Work-Study (All Sources)	13	2192
State Need-Based	3	713
Institutional Need-Based	4	2335